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Foreign
Relations
of the
United
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1941

Volume VI

THE AMERICAN
REPUBLICS


Department of State
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Foreign Relations of the United States

Diplomatic Papers

1941

(In Seven Volumes)

Volume VI

The American Republics



United States
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E. R. PERKINS
Editor of Foreign Relations

AUGUST 30, 1963.

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THE INTER-AMERICAN NEUTRALITY COMMITTEE¹

[The Minutes of the Committee do not appear to have been printed. A mimeographed copy in Portuguese is on deposit in the Library of Congress entitled, *Comissão Interamericana de Neutralidade, Atas, 1940-1942* (Rio de Janeiro, two volumes).]

740.00111 A.R.N.C./160: Telegram

The Chargé in Brazil (Burdett) to the Secretary of State

RIO DE JANEIRO, January 13, 1941—11 p. m.

[Received 11:05 p. m.]

27. For the Under Secretary² from Fenwick.³ There will be no substantial difference between the draft of the Security Zone Convention submitted to you as of December 14,⁴ and the final text to be agreed upon. Presumably, it was not objectionable. As in the case of the Committee's earlier recommendation, the denial of port facilities would constitute the sole sanctions envisaged. [Fenwick.]

BURDETT

740.00111 A.R.N.C./160: Telegram

The Secretary of State to the Chargé in Brazil (Burdett)

WASHINGTON, January 16, 1941—9 p. m.

23. Your 27, January 13, 11 p. m. Please inform Dr. Fenwick as follows on behalf of the Under Secretary.

With reference to the preliminary draft of the security zone convention dated December 14, the Department considers the last part of Article II ambiguous as to whether both the attack and operations must have begun outside the zone. With respect to Article III a serious question has arisen whether the Article would be inconsistent with the legislative proposals now before the Congress designed to give assistance to states defending themselves. Article VI is considered too mandatory and it is suggested that there be added in the third line after "shall" and before "undertake" the words "determine

¹ Continued from *Foreign Relations*, 1940, vol. v, pp. 257-340.

² Sumner Welles.

³ Charles G. Fenwick, American member of the Inter-American Neutrality Committee.

⁴ See letter from the American member of the Inter-American Neutrality Committee, December 14, 1940, *Foreign Relations*, 1940, vol. v, p. 335.

whether they should", and that in each of the subsections of the Article "shall" should be changed to "may".

Please make the following oral confidential statement to Professor Fenwick: In view of the rapidly changing international situation and of the recent problems in Brazilian-British relations,⁵ the Department feels that the time is not opportune to press this convention and that if the committee should be inclined to postpone action for the time being on the preliminary draft such an attitude should be strongly encouraged.

HULL

740.00111 A.R.N.C./161: Telegram

The Chargé in Brazil (Burdett) to the Secretary of State

RIO DE JANEIRO, January 21, 1941—3 p. m.

[Received 3:55 p. m.]

42. Department's telegram 23, January 16, 9 p. m. For the Under Secretary from Fenwick. Security Zone Convention already adopted by Neutrality Committee before receipt of telegram under reference. Would call attention, however, to fact that Habana Meeting⁶ asked Committee to submit merely a preliminary draft, permitting inference that governments would want to suggest changes before final draft submitted to signature. Hence the Department is entirely free to suggest alterations in the text. I would recommend, nevertheless, that instead of attempting to alter phrases in the convention, to prevent obvious conflicts with pending legislation, the Department could shelve the whole convention by delaying its return to the Committee. Committee will submit draft convention to Pan-American Union as confidential documents, with the request that the Union transmit it to the American Governments as confidential. Can delay arrival of convention at the Pan-American Union at least 1 month. [Fenwick.]

BURDETT

740.00111 A.R.N.C./162: Telegram

The Chargé in Brazil (Burdett) to the Secretary of State

RIO DE JANEIRO, January 22, 1941—11 a. m.

[Received January 22—10:18 a. m.]

43. For the Under Secretary from Fenwick. My telegram No. 42, January 21, 3 p. m. Contrary to my expectations the Neutrality Com-

⁵ See section entitled "Good offices of the Department of State in settling the dispute between Brazil and the United Kingdom concerning the detention of the Brazilian vessel *Siqueira Campos*," *Foreign Relations*, 1940, vol. v, pp. 626 ff.

⁶ See *ibid.*, pp. 180 ff.; see also *Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940, Report of the Secretary of State* (Washington, Government Printing Office, 1941), pp. 6, 13-14, 59-60, and 67.

mittee reconsidered the text of the Security Zone Convention and eliminated from article III reference to warships making repairs and obtaining fuel in neutral ports. [Fenwick.]

BURDETT

740.00111 A.R.N.C./166

The American Member of the Inter-American Neutrality Committee (Fenwick) to the Under Secretary of State (Welles)

RIO DE JANEIRO, January 22, 1941.

DEAR MR. WELLES: Supplementing my telegrams of to-day and of the 13th and 20th [21st?] inst.,—the Neutrality Committee has now completed the draft of the Security Zone convention⁷ and will forward it, by the regular boat mail of Feb. 5th to the Pan American Union, which should receive it on February 17th and then forward copies of it to the American Governments.

The Department's telegram of the 17th [16th?] inst. arrived after the definitive text of the treaty had been agreed upon,—the text not differing substantially from the one submitted to you in my letter of Dec. 14th. In answering the Department's telegram it seemed to me that under the circumstances it was not advisable to attempt to revise the text already agreed upon, but rather to bury the whole convention by delaying its submission for signature. For, apart from the particular clause in Article III which conflicted with legislation pending before Congress, the convention as a whole was out of line with the new policy of the United States. I arranged, therefore, to have the convention forwarded to the Pan American Union as "not for publication", and also to delay the forwarding almost a month.

Contrary to my expectations, when the convention came before the Committee for final signature, the proposal was made to eliminate the clause in Article III referring to warships making repairs and obtaining fuel in neutral ports, and after considerable discussion a majority voted in favor of it. With that clause out, it will not make much difference if the text is published in spite of our recommendation that it be withheld from publication.

You will understand my embarrassment in trying to act at once in a technical and judicial capacity and yet take account of the practical aspects of the situation and of the new developments in the policy of the United States. I am trying to use the best judgment I can under the circumstances.

I might add that Ambassador Labougle, of Argentina, substituting

⁷ See Ata da 39a. sessão ordinária realizada em 21 de Janeiro de 1941; *Comissão Interamericana de Neutralidade, Atas*, volume for 1941-42.

for Podestá Costa, is proving to be a very helpful member of the Committee. He combines right principles with good common sense.

One word more. The Committee expects to take up the Uruguayan proposal for the extension of territorial waters at its next meeting. I note the Department's views on the subject. Also, the long-delayed problem of contraband will come up next week; but that is now water under the bridge.

I have completed the preliminary draft of a code of neutrality in some 130 articles, along the lines of the analysis I submitted to you two months ago. Each article will be accompanied by "Comment" explaining the background of the rule laid down and justifying its adoption. My plan is to submit the articles to the Committee one by one for discussion and criticism. That will keep the Committee going as long as the American Governments consider it should be kept going. I might add, on that point, that the Committee is serving a useful purpose just now quite apart from its technical functions as a Neutrality Committee. It is constantly referred to in the press as a "symbol" of inter-American unity. Even symbols have their value in these troubled times.

With warm personal regards,
Sincerely yours,

CHARLES G. FENWICK

740.00111 A.R.N.C./166

*The Under Secretary of State (Welles) to the American Member of
the Inter-American Neutrality Committee (Fenwick)*

WASHINGTON, February 10, 1941.

MY DEAR PROFESSOR FENWICK: I have read with much interest your letter of January 22 reporting the final action of the Committee on the preliminary text of the convention on the Security Zone, and giving your views as to the handling of the convention after its receipt from the Pan American Union.

It is felt in the Department that the Committee has served and will continue to serve very useful and desirable purposes, and that the Committee should be continued in existence for at least the duration of the hostilities. I share your view that one of the useful purposes of the Committee has been increasingly to appear as a symbol of the solidarity and unity of all American peoples in behalf of their ideals and common interests and hopes.

I heartily endorse your plan to submit the articles of your preliminary draft of a code of neutrality to the Committee for discussion seriatim. I do not doubt that it will be of great value from the standpoint of long range considerations.

Your letters describing the work of the Committee and your plans and your problems are always appreciated. The Department fully realizes the difficulties of your position in the rapidly changing situation today, and is pleased with your skillful and constructive handling of affairs.

With cordial personal regards, I am

Sincerely yours,

SUMNER WELLES

740.00111 A.R.N.C./182

Memorandum by the Under Secretary of State (Welles) to the Legal Adviser (Hackworth)

[WASHINGTON,] May 9, 1941.

MR. HACKWORTH: Dr. Fenwick⁸ left with me this memorandum this morning.

I think it is highly desirable that the Committee of which he is a member extend the scope of its functions in every appropriate way during these critical times. My judgment is that the points made in the memorandum are satisfactory. Will you let me have your reaction?

S[UMNER] W[ELLES]

[Annex]

Memorandum by the American Member of the Inter-American Neutrality Committee (Fenwick)

MEMORANDUM IN REFERENCE TO EXTENSION OF THE FUNCTIONS OF THE INTER-AMERICAN NEUTRALITY COMMITTEE

1. Original functions of the Neutrality Committee in respect to application of the technical rules of neutrality have now been greatly limited.

Technically unneutral acts which are now being committed by the United States can be justified in International Law by the fact that Germany has undermined the foundations of the law of neutrality. But the result is that the "standards" laid down by the General Declaration of Neutrality adopted at Panama⁹ can no longer be interpreted or applied strictly.

2. New functions which might be assigned to the Neutrality Committee.

⁸ Temporarily in the United States. He returned to Rio de Janeiro on May 20.

⁹ Approved October 3, 1939; for text, see Department of State *Bulletin*, October 7, 1939, p. 326. For correspondence on the Foreign Ministers Meeting at Panama, September 23-October 3, 1939, see *Foreign Relations*, 1939, vol. v, pp. 15 ff.

Recommendations setting forth rules in respect to

a. Claims growing out of acts in accordance with the law of neutrality.

1. Determination of basis of compensation to American States for costs of internment of belligerent merchant ships and their crews.

2. Determination of basis of compensation for the requisition or utilization by neutral American States of belligerent merchant ships lying idle in American ports.

3. Determination of basis of compensation for requisition by belligerents of neutral property located in their territories, in accordance with the law of Hungary.

b. Claims growing out of violations of the law of neutrality.

1. Compensation for the death of neutral persons and the destruction of neutral vessels, cargos and mails in consequence of illegal submarine attacks.

2. Compensation for the death of neutral persons and the destruction of neutral property in consequence of illegal bombardment and other acts in violation of the law of war on land (e. g., announcement by State Department that it reserved the right to press a claim in the case of the death of American diplomatic officer killed in Norway). .

3. Compensation for acts of sabotage committed upon neutral property in neutral territory by agents of belligerents.

3. If the Neutrality Committee proves capable of handling neutrality claims it might be later given competence to make recommendations in respect to inter-American claims cases in general.

C. G. FENWICK

[WASHINGTON,] May 9, 1941.

740.00111 A.R.N.C./183

The Under Secretary of State (Welles) to the American Member of the Inter-American Neutrality Committee (Fenwick)

WASHINGTON, May 17, 1941.

MY DEAR PROFESSOR FENWICK: I thoroughly agree with you that the functions of the Neutrality Committee might be extended in scope, as suggested by you in the memorandum which you left with me on May 9th.

However, it is my view that if the Committee undertakes to deal with the subject of claims growing out of the present war in Europe, it should limit itself to a consideration of the basis of liability, that is to say, whether the government is, in all the circumstances, liable for the acts giving rise to the claim, as distinguished from the basis of the compensation to be paid once liability is determined. Generally

speaking, the amount of compensation properly payable for loss of property is the same whether the destruction results from bombardment, for example, or from other cause, if the illegality of the act be established.

For various reasons, I am of the opinion that the suggestion contained in the last paragraph of your memorandum should not be advanced. The general subject of inter-American claims would not seem to fall within the competence of the Neutrality Committee. The subject of pecuniary claims was referred, as you doubtless know, to the Committee of Experts established pursuant to a resolution adopted at Montevideo in 1933.¹⁰ That Committee submitted a report to the Lima Conference in 1938, and the Conference referred the report, together with other projects, back to the Committee for further study and report.¹¹

Sincerely yours,

SUMNER WELLES

740.00111 A.R.N.C./211%

*The American Member of the Inter-American Neutrality Committee
(Fenwick) to the Secretary of State*

RIO DE JANEIRO, August 22, 1941.

Attention of the Under Secretary of State.

DEAR MR. WELLES: In the course of the past two months I have on several occasions written to Mr. Bonsal¹² describing to him the progress of the discussions in the Neutrality Committee relative to the problem of the extension of territorial waters, submitted to the Committee by the Meeting of Foreign Ministers at Havana.¹³ May I now sum up the development of the problem for you, and at the same time enclose copies of the various projects which I put before the Committee during the sessions at which the question was discussed.¹⁴

When the problem first came up for study, I presented to the Committee a tentative draft of an opinion based upon what seemed to me to be the lesson to be drawn from the Conference for the Codification of International Law held at The Hague in 1930,¹⁵ where, in view of

¹⁰ Resolution LXX, on methods of codification of international law, adopted by the Seventh International Conference of American States; for text, see Carnegie Endowment for International Peace, *The International Conferences of American States, First Supplement, 1933-1940* (Washington, 1940), p. 84. For correspondence regarding the Conference, see *Foreign Relations, 1933*, vol. iv, pp. 1 ff.

¹¹ See *The International Conferences of American States, First Supplement, 1933-1940*, p. 249; for correspondence on the Lima Conference, see *Foreign Relations, 1938*, vol. v, pp. 1 ff.

¹² Philip W. Bonsal, Acting Chief of the Division of the American Republics. Letters not printed.

¹³ For text of Resolution VIII of the Habana Meeting, see Department of State *Bulletin*, August 24, 1940, p. 134.

¹⁴ Enclosures 1, 2, 3, and 4 to this document not printed, but see *Atas*.

¹⁵ For correspondence on this Conference, see *Foreign Relations, 1930*, vol. i, pp. 204 ff.

the conflicting opinions, no agreement could be reached. This draft (see Enclosure No. 1) proposed as a compromise that the existing situation in respect to strict territorial waters should be maintained; but that a limited jurisdiction or control be recognized to a distance of twelve miles for customs, police and sanitary administration, and to a distance of not less than twenty-five miles (as proposed by the Uruguayan Government) for protection against hostilities in time of war.

This compromise, however, proved unacceptable to other members of the Committee, and a majority insisted that there must be an extension not merely of control but of sovereignty. I raised the objection that this would involve encroachment upon existing fishing rights on the high seas, as well as other rights associated with the freedom of the seas; and that these were problems that could only be settled at a general international conference of all nations. Besides, the Committee had no data before it to justify recommending an extension of exclusive fishing rights, quite apart from the fact that the three-mile limit was fixed in numerous treaties. But the objection was waived aside as of minor consequence.

I then argued that an extension of sovereignty, being made for the obvious purpose of protection against hostilities, would weaken the force of the Security Zone convention now pending adoption by the American Governments. In line with this approach I introduced a project (see Enclosure No. 2) reciting the fact that the Havana Meeting had indicated the determination of the American Governments to maintain the Zone in spite of violations of it, and affirming that the pending convention could furnish the desired protection against hostilities in so far as the American Republics were willing to resort to sanctions to enforce it. No mere assertion of a wider sovereignty, not accepted by the belligerents, would have any greater effect.

This second project being unacceptable, I then insisted that before the Committee could come to an adequate decision in respect to the variety of questions associated with the extension of territorial waters in addition to the primary interest of protection against hostilities, it should be better informed in respect to the intentions of the American Governments with regard to these problems. With that object in view I introduced a third project (see Enclosure No. 3), reciting the fact that there were other interests at issue as well as protection against hostilities, and recommending that an inquiry be made of the American Governments to find out which of the various objectives they had in mind in asking the Committee to give an opinion on the general subject. But this project met with no greater favor than the others.

During the course of the discussions the Chairman of the Committee introduced a lengthy statement in answer to my objections to the extension of territorial waters. I made a formal reply to the statement

at the next meeting of the Committee (see Enclosure No. 4). My reply more or less sums up the situation as it had developed in the Committee by that time. It had no effect in changing the opinions of the members in respect to the advantages, as they saw them, of the extension of sovereignty. Much stress was put upon the alleged approval which the Havana Meeting had given, in principle, to the extension of territorial waters, by the fact that the sub-committee had revised the Uruguayan proposal so as to make it read that territorial waters "should be extended" instead of that it was "desirable" to do so, I argued that the change introduced by the subcommittee was merely one of drafting, and that the project came to the Neutrality Committee without a prior expression of approval or disapproval from the Meeting. But to no effect.

I enclose a copy (see Enclosure No. 5¹⁶) of the dissenting opinion which I entered in the minutes and which was attached to the copy of the recommendation sent by the Committee to the Pan American Union. While it was with regret that I found it necessary to disagree with the majority of the Committee, it was better to disagree than to compromise on issues that I felt were fundamental. Besides, the dissenting opinion gave me an opportunity to emphasise points which it would have been impossible for me to have introduced into the *Considerando* prepared by the majority of the Committee.

The various points of view expressed by the members of the Committee during the course of the discussions will appear in the minutes of the sessions during June and July, which will be published in due time by the Pan American Union. In the meantime you may find the above summary convenient. I assume that the next Meeting of Foreign Ministers will refer the matter to the Ninth International Conference of American States, which is due to meet in 1943.¹⁷ By that time the problem of hostilities in territorial waters may have been disposed of in more effective ways.

With warm personal regards,

Sincerely yours,

CHARLES G. FENWICK

[Enclosure]

*Dissenting Opinion of Charles G. Fenwick on the Extension of
Territorial Waters*

I regret that I am unable to concur in the opinion expressed by my colleagues of the Neutrality Committee in respect to the question of

¹⁶ The enclosure printed below.

¹⁷ The Ninth International Conference of American States which was scheduled to meet in Bogotá and which under ordinary circumstances would have convened in 1943 was, on January 6, 1943, postponed. The Conference was held in Bogotá March 30–May 2, 1943.

the extension of territorial waters submitted to us by the Second Meeting of Ministers of Foreign Affairs of the American Republics. The reasons for my dissent appear in detail in the Minutes of the Committee. They may be summarized here, as follows:

1. The chief objective of the proposal of the Government of Uruguay is to secure better protection against the commission by belligerents of acts of hostility within the waters adjacent to neutral coasts; and it appears to be the belief of the Government of Uruguay, as it is also the belief of the majority members of the Neutrality Committee, that this objective would be more adequately attained if the sovereignty of the state were extended over a wider area of adjacent waters than that over which it now legally extends.

2. In so far as concerns the war now in progress, in respect to which the American Republics are at this moment neutral, I am unable to find any reason for believing that an assertion of sovereignty over adjacent waters to a distance of twelve miles would be any more effective than the proclamation of the Security Zone made by the Declaration of Panama.¹⁸ The belligerents would be under no legal obligation to respect a mere assertion of sovereignty which they themselves had not agreed to; and it is to be anticipated that the same reasons that might lead the belligerents to violate the Security Zone would lead them to conduct their hostilities in the wider area of waters over which the majority of the Committee recommends that sovereignty be extended.

3. But in addition to the ineffectiveness, with respect to present hostilities, of a mere declaration that sovereignty should be extended to a distance of twelve miles, there is the more important consideration that such a declaration would greatly weaken the effectiveness of the convention for the Security Zone now pending adoption by the American Governments. The resolutions taken at Havana clearly indicate that the American Republics did not intend to retreat from the Declaration of Panama establishing the Security Zone. Rather they expressed their determination to stand by the Security Zone; and they called upon the Neutrality Committee to draft a solemn treaty reaffirming the principles underlying the Security Zone and proposing measures of cooperation for the enforcement of the Zone. If now the Uruguayan project were to be adopted, under circumstances clearly indicating that the object in so doing was to secure greater protection against hostilities by the belligerents, the belligerents would naturally interpret such action as a confession that the Declaration of Panama went too far and that the American Republics were now prepared to modify their original demand. Under such conditions it would be

¹⁸ *Foreign Relations*, 1939, vol. v, p. 36.

futile for the American Republics to proceed with the draft convention for the maintenance of the Security Zone.

4. In so far as concerns protection against hostilities in some future war, I am of the opinion that it would be the part of wisdom not to anticipate the future; and that the Committee should limit its recommendation to the suggestion that the problem of greater protection for neutral states against hostilities should be considered at a general international conference at the close of the war. The experience of the present hostilities convinces me that the protection desired will be more adequately attained by the cooperative action of all nations to outlaw acts of aggression, rather than by accepting the legality of war and then attempting to regulate the conduct of belligerents. But whether or not this forecast be correct, it would seem to be better at this time to leave the decision as to the best means of securing in more permanent form the desired protection against hostilities until an international conference can be called at which a general legal agreement might be reached.

5. There remains the question of the desirability of extending territorial waters to attain other objectives than the primary one of protection against hostilities by the belligerents. Such other objectives include the extension of exclusive fishing rights over the wider area of territorial waters, the enforcement of customs and sanitary regulations, police control in the interest of preventing crimes initiated outside territorial waters, and jurisdiction over acts performed on board vessels entering territorial waters. These matters are of greater importance for some of the American States than for others; and it is not clear that a uniform rule would be the most convenient regulation of them. I agree that in the presence of an emergency these matters could and should properly be subordinated to the more important objective of the prevention of hostilities. But in as much as the proposed extension of territorial waters does not carry with it, in my opinion, any greater protection against present hostilities, I see no reason why the other problems involved in the extension of territorial waters should be set aside without due consideration.

6. Not only are these other problems involved in the extension of territorial waters important in themselves and worthy, in the interest of the individual American Republics, of more careful study than it has been possible to give them, but they are problems in which other, non-American, nations have vital interests at stake and have traditional rights solidly founded in international law. Hence the solution of these problems should await an international conference at which all of the nations could be represented. The American Republics do not have it in their power to change the law of the sea. I believe that the Declaration of Panama in respect to the Security Zone was justified by the fact that the belligerents themselves had departed from the

traditional law of the sea by the unlawful use of the submarine and by the establishment of combat zones and the imposition of unwarranted restraints upon neutral trade. But that is as far as we can go,—defense against illegal acts of the belligerents. We are not justified, in my opinion, in proposing to change the law of the sea in respect to other matters which have no connection with emergency defense against hostilities. At this time when international law has been shaken to its foundations by the lawless acts of the Axis Powers, it is all the more incumbent upon us to maintain the fundamental principles of the equality of states and of the freedom of the seas, and to avoid doing anything that might be interpreted by other nations as an attempt to introduce new rules of law without taking into account not merely the interests of the American Republics but the interests of all members of the international community.

7. The proper procedure for our Neutrality Committee appears to me to be to give an opinion (1) calling attention to the pending draft convention for the maintenance of the Security Zone and pointing out that in so far as the American Republics are prepared to enforce it the convention would give as much protection against hostilities as is obtainable during the present war; and (2) recommending that at the close of the war the American States participate in a general international conference at which they may consider whether a united and collective demand for a further extension of territorial waters may not be the best means for protecting neutral states against hostilities in the future, if other more comprehensive measures for the prevention of war itself should fail.

C. G. FENWICK

RIO DE JANEIRO, August 8, 1941.

740.00111 A.R.N.C./1924

*The American Member of the Inter-American Neutrality Committee
(Fenwick) to the Under Secretary of State (Welles)*

RIO DE JANEIRO, September 22, 1941.

DEAR MR. WELLES: May I make a brief report to you of the work of the Neutrality Committee during the past month.

Since the completion of the recommendation on the Extension of Territorial Waters the Committee has devoted its entire time to the preparation of the General Convention on Neutral Rights and Duties which the Havana Meeting of Foreign Ministers asked the Committee to undertake. The basis of our discussions has been the draft code which I prepared some six months ago, a copy of which I left with Mr. Bonsal last spring. Work on the code proceeds slowly, chiefly due to the fact that two of the members of our Committee are so preoccupied

with other official duties that it is impossible for them to attend meetings oftener than once a week. Doubtless if the completion of the code were a matter of greater urgency, this difficulty could be overcome. But the members are aware that the American Governments have already determined upon their policies in relation to the belligerents during the present war, so that the decisions of the Committee on the problems raised by the code are more or less academic in character.

Some thirty articles of the code have been approved in tentative form and are now being forwarded to the Pan American Union for submission to the American Governments for criticisms and suggestions. This procedure was not provided for at Havana, but the Committee is of the opinion that in view of the controversial nature of so many of the problems of neutrality it is desirable to submit a tentative draft before proceeding to the final draft. Together with the articles the Committee is sending brief commentaries upon each separate article. These commentaries will later be developed into an exhaustive study of the background of the particular article, accompanied by a complete documentation of previous conventions on the subject and of the legislation of the American States.

The Committee is taking a brief recess until the middle of November, and I am planning to return to the United States in order to attend to my business affairs.

I trust, however, that I may be able to use the occasion to discuss with you more in detail the future work of the Committee in the light of recent developments, and I would like to put before you some suggestions in anticipation of the Third Meeting of Foreign Ministers here in Rio, whenever that is to be held.

With warm personal regards,
Sincerely yours,

CHARLES G. FENWICK

740.00111 A.R.N.C./192a

The Under Secretary of State (Welles) to the American Member of the Inter-American Neutrality Committee (Fenwick), Then at Bryn Mawr College, Bryn Mawr, Pennsylvania

WASHINGTON, October 6, 1941.

MY DEAR DR. FENWICK: Upon my return to Washington I found your letter of August 22, 1941, summarizing the progress of the discussions of the Neutrality Committee relative to the problem of the extension of territorial waters. I have also received your letter of September 22 regarding the work of the Committee in the preparation of the proposed General Convention on Neutral Rights and Duties.

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Sheridan, Wyoming

I am in full agreement with the point of view which you so ably sustained in your discussions with the Committee on territorial waters, and have no doubt that the logical basis for the views expressed will appeal to many of our good friends and colleagues in the other American republics, as well as to the international legal fraternity.

I have consulted with Mr. Hackworth regarding the various points contained in your letter of August 22, and he is likewise in agreement with the position you have felt it necessary to take. While of course we all regret that it was not possible for the Neutrality Committee to reach unanimous agreement on its recommendations, we cannot see that you had any satisfactory alternative other than to submit the dissenting opinion which it is understood will appear in the published report of your meetings.²⁰

I perceive no objection to the action of the Committee in forwarding to the Pan American Union the articles of the proposed neutrality code which have already been approved in tentative form by the Committee. This procedure should facilitate mature consideration of the problem by the governments of all the American republics.

I hope that you will continue to remain in close touch with the Department in order that we may benefit by your wise counsel. It does not seem to me to be too early for us to commence our preparations for the Ninth International Conference of American States, which is scheduled to be held in 1943.²¹ At the same time, the same efforts would be extremely useful in preparation for any international conference which might be held at the close of the present war to deal with questions of international law.

With appreciation for your able assistance and cooperation, and with warm personal regards, believe me,

Sincerely yours,

SUMNER WELLES

740.00111 A.R.N.C./220

*The American Member of the Inter-American Neutrality Committee
(Fenwick) to the Secretary of State*

BRYN MAWR, December 9, 1941.

[Received December 10.]

Attention of Mr. Daniels, Division of Latin American Republics.

DEAR MR. DANIELS: In pursuance of our recent conversation I am submitting herewith for the consideration of the Department some observations upon the work of the Inter-American Neutrality Com-

²⁰ See bracketed note, p. 1.

²¹ See footnote 17, p. 9.

mittee, and the possible new fields into which its jurisdiction might be extended. My observations are purely personal, and without any reference to the views of the other members of the Committee.

A. Extension of the present functions of the Committee.

1. It seems clear that the task of preparing a convention covering the whole law of neutrality, assigned to the Committee by the Consultative Meeting of the Foreign Ministers at Havana in July, 1940, has lost its purpose and meaning so far as the war now in progress is concerned. For the past six months the Committee has continued to work on the project, not because of a belief in its intrinsic importance, but because the Committee has wanted to show the American Republics that it could be relied upon to do the work assigned it and do it well. Since the outbreak of war between the United States and Japan, however, it is obvious that, whatever future value the neutrality convention might have (and I myself believe it would be very little), it would hurt the standing of the Committee to continue to deal with problems in a vacuum.

2. There are, however, new problems growing out of the status of neutrality which might be assigned to the Committee. Last spring I submitted to Mr. Welles a brief analysis of the kinds of "claim cases" which might appropriately be assigned to the Committee.²² These cases might arise from the requisition by neutral American States of merchant vessels of the belligerents and of countries occupied by the belligerents; or that might arise from violation by belligerent warships and aircraft of neutral American rights; or, again, that might arise from damage by illegal activities of belligerent agents in neutral American countries.

My suggestion would be that if the functions of the Committee were enlarged to give it jurisdiction in respect to these "claim cases", the recommendations of the Committee would deal chiefly with the legal principles involved in the settlement of the cases, and would have for the present an advisory character only.

B. Long-range Development of the Work of the Committee.

1. The Committee, during the period while its functions were still of intrinsic value, demonstrated to the American Republics the advantages of a small permanent committee meeting regularly and devoting its whole time to the tasks assigned to it. The resolution taken by the Foreign Ministers at Havana shows that the Committee, although not containing representatives of all the American States, had won the respect of the Inter-American community for the impartiality of its decisions. The experience obtained by the Committee and the precedent it has set for the handling of technical

²² See Mr. Fenwick's memorandum of May 9, p. 5.

problems by a body of experts should not be lost. As has often been observed in matters of inter-American, as well as in international, organization, it is easier to build upon an existing institution than to create a new one. Problems calling for solution lie all about us. The present crisis would seem not only to demonstrate the need of a permanent legal committee but the opportunity that exists to create one.

2. The Inter-American Neutrality Committee might, therefore, without great difficulty be transformed into an "Intra-American Committee on International Law". It would retain its purely advisory character and it would, as the suggested name implies, be limited in its functions to recommendations on questions of technical law. But its field would naturally range beyond that of neutrality, or of belligerency, into the domain of international law in general. The jurisdiction of the Committee would thus include the many problems, such as the law of foreign investments and the diplomatic protection of citizens abroad, in respect to which it has hitherto proved impossible to codify international law.

In relation to the numerous bodies engaged in the codification of international law in accordance with the provisions of Inter-American treaties and resolutions of recent years, the proposed Committee on International Law might well act as a central exchange or as a sort of secretariat with functions of its own, so that it could bring about the results desired from these bodies without disturbing their formal organization.

Consideration might be given to the absorption by such a Committee on International Law of the functions of the "Commission of Inquiry" provided for in the Gondra Treaty of 1923,²³ and again in the Buenos Aires Treaty of 1936.²⁴ The mere fact of the existence of a Committee on International Law, organized on a permanent basis and actively functioning, might facilitate the settlement of such disputes as the pending boundary controversy between Peru and Ecuador, where questions of mixed law and fact are involved.

3. Assuming the desirability of the creation of such a permanent Committee on International Law, it would be a question of practical detail whether its location should be at Rio de Janeiro, or at Washington where the advantages of library facilities are an important consideration. The Committee might readily be given "circuit functions", which would lead it to meet from time to time in other capitals of the American States.

²³ *Foreign Relations*, 1923, vol. I, p. 308; see also *ibid.*, 1929, vol. I, p. 653, and *ibid.*, 1937, vol. v, p. 140, footnote 4.

²⁴ See *The International Conferences of American States, First Supplement, 1933-1940*, p. 145.

Consideration might also be given to the possible affiliation of the proposed Committee with the Pan-American Union, in case it were decided to locate the Committee in Washington. This might help to obviate any criticism that the Committee was too much under the dominance of the United States.

If it should be deemed feasible and desirable to create a Permanent Committee on International Law, it would seem necessary to give to it a competent research staff which the present Neutrality Committee does not possess.

I shall be glad to consult with you further in respect to the observations made under sub-head B. What I have suggested above may be regarded as first impressions.

Sincerely yours,

CHARLES G. FENWICK

740.00111 A.R.N.C./217a : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 11, 1941—3 p. m.

1340. Please deliver following message from Professor Fenwick to Dr. Mello Franco:²⁵

“Recommend Committee consider possible ways of extending functions to meet present emergency.”

HULL

740.00111 A.R.N.C./217 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 13, 1941—7 p. m.

[Received December 13—6:33 p. m.]

2039. Department's 1340, December 12 [11], 3 p. m. Professor Fenwick's message was delivered to Doctor Mello Franco. He will bring the matter before the Committee on December 15. Dr. Franco is of the belief, however, that the Committee cannot extend its functions without the consent of the interested governments. He suggests that this matter be studied at the meeting of Ministers of Foreign Affairs shortly to take place in Rio.

CAFFERY

²⁵ Afranio de Mello Franco, Brazilian member of the Neutrality Committee.

740.00111 A.R.N.C./220

The Assistant Chief of the Division of the American Republics (Daniels) to the American Member of the Inter-American Neutrality Committee (Fenwick), Then at Bryn Mawr

WASHINGTON, December 18, 1941.

MY DEAR DR. FENWICK: I acknowledge the receipt of your letter dated December 9, 1941 outlining your personal observations on the possible extension of the present functions of the Inter-American Neutrality Committee, and possible long-range developments of the work of the Committee.

I think your letter is most helpful in the consideration which the Department is giving to this matter, and will constitute an excellent basis for further action. I understand that you have already gone over the general question with Mr. Welles, and that he has given you his preliminary reaction.

Sincerely yours,

PAUL C. DANIELS

SUPPORT BY THE UNITED STATES FOR URUGUAYAN
PROPOSAL RENEWING THAT OF 1917 THAT THE AMER-
ICAN REPUBLICS TREAT AS NON-BELLIGERENT ANY
AMERICAN NATION AT WAR WITH A NON-AMERICAN
STATE

740.00111 A.R./1316 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, June 19, 1941—3 p. m.

[Received 6:45 p. m.]

250. Department's telegram No. 102, May 28; and my 244, June 16.¹ In my formal call on the President ^{1a}this morning on the occasion the anniversary of his induction into office and of the birthday of Artigas,² the President briefly discussed the proposed Uruguayan declaration similar to that of the resolution of 1917³ that any American nation which might find itself at war with a nation of another continent would be treated by the Uruguayan Government as a non-belligerent.

The President stated that the Uruguayan Government would in the next few days refer its proposed declaration to the other American Republics. He emphasized that this action would not be in the nature of a consultation but merely for the purpose of informing those governments in accordance with inter-American procedure and might possibly lead to similar declarations on their part.

He said that Uruguay had already received indications that the replies from Bolivia, Mexico, Cuba and the Caribbean countries would be generally favorable and that he hoped he could count on Brazil, but that he was doubtful of the nature of the replies of Argentina, Chile and even Peru. . . . The President stated that by avoiding the consultatory form Uruguay would be free in any case to make its declaration in any form it may see fit.

CHAPIN

¹ Neither printed.

^{1a} Alfredo Baldomir.

² José Gervasio Artigas, founder of the independence of Uruguay, was born in Montevideo, June 19, 1764.

³ See undated telegram from the Minister in Uruguay, *Foreign Relations, 1917*, supp. 1, p. 301.

740.00111 A.R./1318 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, June 20, 1941—5 p. m.

[Received June 21—3:33 a. m.]

252. My telegram No. 250, June 19, 1941. An urgent call from the Minister of Foreign Affairs⁴ we discussed today the proposed Uruguayan declaration. He said that its general tenor had already been discussed with certain [countries?] who were believed to be sympathetic but that it had been decided to send the final text by air mail tomorrow to the 19 other republics for their information and "concordancia". He reiterated what the President had told me [yesterday?] that the matter was being handled in such a way as to leave Uruguay free, in case of dissent on the part of one or more of the American Republics, either to promulgate [the?] declaration unilaterally or to use it as the basis for a more extended discussion in a possible future conference of American [Ministers?] of Foreign Affairs.

. . . He said that many of the American Governments were "good friends" of the United States and that he hopes that our Government will give active support to the Uruguayan action and will urge prompt and favorable similar action in those capitals where Uruguay has no diplomatic representatives. In the opinion of the Foreign Minister Brazil is the most important state to swing into line and he intimated that although he and Aranha⁵ generally see eye to eye our assistance in Rio de Janeiro would be appreciated. He intimated that such assistance might be necessary in Chile and Peru. I am cabling translation of an advance text which Guani says is correct and which will serve, except for certain refinements, the purpose of our Government in communicating with our Missions abroad regarding the Uruguayan action. That text will follow by air mail when received and any [changes?] will be cabled.

CHAPIN

740.00111 A.R./1321 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, June 20, 1941—7 p. m.

[Received 10:15 p. m.]

695. Referring to telegram to the Department from Montevideo No. 250, June 19, 3 p. m., Aranha says that he is sympathetic to the Uruguayan attitude. The Uruguayan Minister for Foreign Affairs

⁴ Alberto Guani, Uruguayan Minister for Foreign Affairs.

⁵ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

has suggested that they meet at Porto Alegre in the near future. Aranha has that under consideration.

Repeated to Montevideo.

CAFFERY

740.00111 A.R./1319 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, June 20, 1941—midnight.

[Received June 21—6 a. m.]

254. My telegram No. 252, June 20, 5 p.m. Following is a translation of Guani's proposed circular communication to be air mailed to the 19 other American Republics tomorrow: ⁶

"In view of the course of international events the Minister of Foreign Affairs of the Oriental Republic of Uruguay considers it to be of the highest interest to inform His Excellency, the Minister of Foreign Affairs of [the United States of America], of certain points of view in the light of which the Government is studying the possibilities for the maintenance of the security and territorial integrity of our countries in the event that an American nation should be drawn into war with nations of other continents.

The development of the spiritual and material union of the American Republics by virtue of the different agreements reached during recent years makes it advisable [at this time, and particularly beneficial in the common interest of all the Americas, to decide upon a statement of points of view in this regard.]

The contingency which is of concern to Uruguay should be considered, in many of its aspects, as being similar to that which might confront the other nations of the continent; but it should be recalled that, on other occasions, our country found itself in a situation where it was necessary to adopt a definite attitude, declaring that the execution of the principles of American solidarity was the guiding rule of its international policy.

In effect: In declaring in 1917 that any act susceptible of affecting adversely the rights of a nation of the continent should be considered as constituting an offense committed against all the nations and [should] cause a common and uniform reaction, Uruguay based itself upon the most solid principles of Pan-Americanism, which should be interpreted not only as a moral doctrine or ideology, but

⁶ Text corrected on the basis of Spanish copy supplied by the Uruguayan Minister on June 27, and an English translation attached to same (740.00111 A. R./1444).

A Spanish text appears in Ministerio de Relaciones Exteriores, *Solidaridad Americana, Consulta Sobre el Caso de un Estado Americano en una Guerra Extracontinental* (Montevideo, 1941), p. 1.

also in the sense of a positive policy, a point of practical application in the hour of continental decision.

The purpose made manifest by our peoples to strengthen the bonds which identify the American community, have been evident since the moment of their struggles for emancipation, when the concept of country, open and free, embraced the whole length and breadth of the continent. The history of America during the past and present centuries, bears numerous examples which demonstrate the persistence of that same spirit which today represents one of the most solid guarantees for the security of the new world. In a letter now memorable Artigas had said, addressing himself to Bolivar, in bespeaking protection for his ships, that in their struggles both were intimately united by bonds of nature and of common interests. 'On my part,' he added, 'I proffer like treatment to the standard of your republic should the circumstance of time make it possible to see it displayed in our ports.'

This same thought many years later inspired the Government of Uruguay to issue its decree of June 18, 1917,⁷ according to which no American country which, in defense of its rights should find itself in a state of war with nations of other continents, would be treated as a belligerent. In anticipation of an agreement in this regard, Uruguay reiterated its deep conviction that the policy of America would evolve, definitively, a practical formula of solidary action in defense of its ideals of liberty and democracy.

The subsequent evaluation [*evolution*] of international law appeared to be directed towards the achievement of a system of proscription of violence and of the establishment of peace. There were created by this means obligations of another order in such manner as to necessitate a reconciliation of the theory of American solidarity with the pact of the League of Nations for example, and with other agreements celebrated to broaden the methods of pacific solution in international conflicts. All recourse to any of these procedures being discarded for the moment, the international action of the American countries can only be made effective by the energy of their union for the purpose of imposing the will of justice over the will of force.

The Declaration of Lima of 1938⁸ categorically confirmed the common interest and the determination of all the states of the continent towards making effective its solidarity in the event that any of the American Republics should be threatened in its essential rights.

⁷ See undated telegram from the Minister in Uruguay, *Foreign Relations*, 1917, supp. 1, p. 301.

⁸ Declaration of the Principles of the Solidarity of America; for text, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27, 1938* (Washington, Government Printing Office, 1941), p. 189. For correspondence regarding this Conference, see *Foreign Relations*, 1938, vol. 7, pp. 1 ff.

These principles later had a more concrete development in the consultative meetings held at Panama and Habana, where a consideration was given to the question of reciprocal assistance and defensive cooperation of the American nations, in a manner concordant with the purposes which animated the Uruguayan action in 1917.

Resolution XV of Habana⁹ provides that any attack by a non-American state against the integrity or territorial inviolability, against the sovereignty or political independence of an American state, shall be considered as an act of aggression against the states signatory to the declaration. Should any acts of aggression be committed, or should there be reasons to believe that an aggression is being prepared by a non-American state against the integrity or territorial inviolability, against the sovereignty or political independence of an American state, the signatory states shall consult among themselves with a view to adopting such measures as it may be advisable to take. For the purpose of facilitating such consultations the Declaration of Lima established the method of meetings of Ministers of Foreign Relations. Doubtless when considered opportune this mechanism will be set in motion. The Government of Uruguay, however, feels at this time that the defense of the continent against war may present situations of extreme urgency in such manner as not to allow them the holding of a Meeting of Ministers. There should be borne in mind moreover that there have been established certain rules for the convocation of such meetings such as the transmission of a list of proposed topics to the Directive Council [*Governing Board*] of the Pan-American Union and to await through the same channel the receipt of the comments which the Governments may desire to present.

The Government of Uruguay believes on its part at a given moment the countries of America may find themselves obliged to act swiftly and in such contingency to adopt immediate measures. The line of conduct of this Chancellery would have to be consonant with its tradition of deeply rooted concepts of American brotherhood and by virtue of this fact is prepared in anticipation of the future development of events to define its position. In June 1917 Uruguay expressed the hope that the nations of this hemisphere would arrive at an agreement for the fixing of these principles. There having now been established the common interest and the desire to make effective their solidarity, there being already fixed at the recent conferences the principle that any act committed against a continental state shall be considered as an aggression against all, we would appear to be in

⁹ Department of State *Bulletin*, August 24, 1940, p. 136. For correspondence on the Second Meeting of the Foreign Ministers of the American Republics, Habana, July 21-30, 1940, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.

a position to be able to affirm that the agreements to which Uruguay then aspired do now exist in their full meaning. An accord in the attitudes of all the American countries would therefore now be highly opportune.

The Government of Uruguay would therefore greatly appreciate receiving the views in this respect of the Chancellery of [the United States of America,] assuring it at once of the high value which it attaches to the eminent opinions of your friendly Government."

CHAPIN

740.00111 A.R./1318 : Circular telegram

*The Secretary of State to Chiefs of Mission in the American Republics
Except Brazil and Uruguay*

WASHINGTON, June 21, 1941—6 p. m.

[Here follows substance of Uruguayan circular communication contained in telegram No. 254, June 20, midnight, printed *supra*.]

Inasmuch as this communication has been sent by air mail, the time of its receipt by the Government to which you are accredited will vary. It is believed that in the case of most countries their Foreign Ministers will take opportunity to discuss the proposal with you to ascertain the point of view of this Government. Failing this initiative, it is hoped that you will be able, in the next few days, without forcing an opening, to lead a conversation around to a discussion of the Uruguayan proposal. When the occasion arises you will state that this Government views the initiative of Uruguay as an example of enlightened and far-sighted statesmanship giving content to the oft-repeated pledges of inter-American solidarity. You will tactfully urge, therefore, the desirability of a sympathetic and favorable response.

In those capitals where Uruguay has diplomatic representation you are requested to consult with the Uruguayan representative in order to coordinate action.

HULL

740.00111 A.R./1318 : Telegram

The Secretary of State to the Chargé in Uruguay (Chapin)

WASHINGTON, June 21, 1941—10 p. m.

128. For Chapin from the Under Secretary. Your 252, June 20, 5 p. m. Please call upon Dr. Guani at an early opportunity and state that his message and the text of the proposed circular communication have been received by your Government with the deepest gratification and with a sense of very lively satisfaction. You may anticipate

the nature of the official reply which will be made by this Government to the proposal of the Government of Uruguay by stating that it will express a complete identity of views with the Uruguayan proposal and the statement that the policy of the United States is the same as that of the Government of Uruguay as announced in the proposed circular.

You may further say that this Government has been very glad immediately to send instructions to all of its chiefs of mission in the other American republics requesting them to inform the Governments to which they are accredited that the Uruguayan proposal has the hearty support of the Government of the United States and that it trusts that the proposal made will obtain the unanimous support of all of the American countries. [Welles.]

HULL

740.00111 A.R./1321 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, June 21, 1941—midnight.

457. From the Under Secretary. Your 695, June 20, 7 p. m. Kindly inform Aranha that I was delighted to learn that he viewed sympathetically the Uruguayan proposal. I consider it farsighted and enlightened and giving content to the oft-repeated inter-American pledges of solidarity. I am certain that the Government of Uruguay would deeply appreciate whatever support Aranha feels that he can give to the proposition before such other governments as Brazil might be prepared to approach in a purely informal way. I am sending a circular telegram to all our missions, except yours, instructing them to endeavor tactfully to find occasion to express this Government's views. [Welles.]

HULL

740.00111 A.R./1325 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, June 23, 1941—7 p. m.

[Received 10:17 p. m.]

263. Department's 128, June 21, 10 p. m. For the Under Secretary. Guani was greatly pleased at your message. Although I reiterated to him that our Chiefs of Mission in all of the American capitals had been instructed to support the Uruguayan proposal, Guani asked me to convey to you his thought that some special representation by our Minister in Asunción would be both helpful and effective. He said that he was taking as a preliminary gauge to the reaction of the various governments the tenor of notations which he was beginning to receive

today from Uruguay's representatives in those capitals. The Paraguayan Minister for Foreign Affairs ^{9a} has been here to-day during the visit of the S. S. *Argentina* and Guani's request with regard to Asunción loan [*may?*] be founded on the reaction which he encountered yesterday from Argaña who is leaving tonight for Buenos Aires.

Guani said that the Argentine Foreign Minister had telephoned him three times yesterday with regard to the text but he had declined to give it over the telephone and that it had been delivered in Buenos Aires yesterday. While Guani still expects some difficulty in Buenos Aires and said that it might be necessary to ask for our support there in case no answer was forthcoming in the course of 2 or 3 days, he was very much pleased with the gradual change of public opinion in the Argentine which he said was judging by today's *Prensa* editorial.

CHAPIN

740.00111 A.R./1318: Telegram

The Acting Secretary of State to the Minister in Paraguay (Frost)

WASHINGTON, June 24, 1941—11 p. m.

48. The Department's circular telegram of June 21. The Uruguayan Foreign Minister has indicated to Chapin that some special representation by you to the Paraguayan Minister of Foreign Affairs regarding the Uruguayan circular would be of particular value. Please therefore take every suitable occasion to emphasize the Department's conviction that the Uruguayan initiative represents an enlightened contribution to the development of inter-American solidarity and one which deserves a most favorable reception on the part of all the American republics.

WELLES

740.00111 A.R./1325: Telegram

The Acting Secretary of State to the Chargé in Uruguay (Chapin)

WASHINGTON, June 24, 1941—11 p. m.

131. Your 263, June 23, 7 p. m. Please inform Guani that his feeling regarding special representations by our Minister in Paraguay has been conveyed to Mr. Frost with the Department's strong support.

WELLES

^{9a} Luís Argaña.

740.00111 A.R./1337½

Memorandum by the Acting Chief of the Division of the American Republics (Bonsal) to the Under Secretary of State (Welles)

[WASHINGTON,] June 26, 1941.

MR. WELLES: There has so far been little indication of response to the Uruguayan initiative—principally, it appears, because the proposal has been slow in reaching the governments of the other American republics, having been transmitted by air mail. Reports have been received from our missions as follows:

Argentina: The Uruguayan proposal was reported by the press to have been delivered to the Argentine Foreign Office, but there has as yet been no expression of views by the Argentine Government. Buenos Aires press reaction was favorable.

The Argentine Ambassador at Rio de Janeiro was reported by the American Embassy at Rio de Janeiro to have suggested to the Brazilian Foreign Office that Brazil and Argentina send identic notes to Uruguay in response to the Uruguayan initiative. The Brazilians are understood not to favor this procedure, but they have not as yet answered the Argentines.

Brazil: Foreign Minister Aranha stated to Ambassador Caffery that he is doing what he can, especially with the Argentines, to support the Uruguayan proposal. The Brazilian Government is understood to be considering sending a circular telegram to all its missions supporting the Uruguayan proposal.

Bolivia: Before the Bolivian Government had received the Uruguayan proposal, the Bolivian Minister of Foreign Affairs told the American Minister he was in favor of the Uruguayan proposal provided it was approved and adopted by the governments of all the American republics.

Chile: The Chilean Minister of Foreign Affairs told Ambassador Bowers that he wished to discuss the Uruguayan proposal with him and to get our viewpoint before giving a reply.

Colombia: The Colombian Minister of Foreign Affairs discussed the Uruguayan proposal with Ambassador Braden, implying that in a long memorandum to President Santos concerning it he had recommended a favorable response.

Paraguay: The Acting Minister of Foreign Affairs of Paraguay informed Mr. Frost that he had not as yet received the Uruguayan note, but that he would be glad to give it his best consideration when it arrived.

Uruguay: The Uruguayan Minister of Foreign Affairs informed Mr. Chapin that he appreciated the special instructions that were sent to the American Minister at Asunción to support the Uruguayan proposal, and he requested that similar special instructions be sent to Bogotá and Lima. This is being done.

PHILIP W. BONSALE

810.20 Defense/1245a

*The Acting Secretary of State to the Uruguayan Minister for Foreign Affairs (Guani)*¹⁰

MEMORANDUM

The Acting Secretary of State of the United States of America desires to inform His Excellency the Minister of Foreign Affairs of the Oriental Republic of Uruguay of the gratification with which the Government of the United States has learned of the views of the Government of Uruguay as communicated by Dr. Guani in his memorandum of June 21, 1941.

The Government of Uruguay has once again lighted the way toward a constructive and practical cooperation between all of the American Republics at this moment which is more critical than any which has transpired since the achievement of their independence.

A black night of fear and destruction and organized murder has engulfed almost all of Europe and a great part of the rest of the world. Aggression without comparison in history for its deliberately planned frightfulness has annihilated the independence of one country after another. The right inherent in every man and woman to worship God has been ruthlessly and methodically destroyed. The cultures of centuries, the cultures from which every one of the American nations has derived its own national inspiration have not only been temporarily blotted out but an endeavor is being made to extirpate them forever. No country anywhere, today, is secure from this unmasked lust for power and loot which has no limit but domination of the entire world.

In view of this situation, the Government of Uruguay addresses itself to the other American Republics urging positive implementation of the policy of hemisphere solidarity already unanimously adopted by the American nations at previous inter-American conferences.

Uruguay recalls that its great liberator Artigas, over a hundred years ago, recognized the common interests of the peoples of the Western Hemisphere and suggested the undertaking of an offer of reciprocal and mutual assistance. Uruguay recollects that during the World War of 1914-1918 it adopted, long before its general acceptance in this hemisphere, the policy that any act susceptible of affecting adversely the rights of any nation of the Americas should be considered as constituting an offense committed against all the American nations, and should bring about a uniform and common reaction.

Pursuant to this policy, Uruguay declared in 1917 that it would not treat as a belligerent any American country which, in defense of

¹⁰ A notation on the original reads: "Handed to the Minister of Uruguay 7-1-41 by Mr. Welles." Mr. J. Richling was the Uruguayan Minister in Washington.

its own rights, should find itself in a state of war with nations of other continents. Finally, Uruguay recalls that the policy of solidarity which it espoused twenty-five years ago has now been accepted by all the other American countries in a series of inter-American instruments and, therefore, inquires of the other American Republics whether, in their judgment, the moment is not opportune to give new content and definition to the policy of inter-American solidarity.

The Government of the United States welcomes the opportunity afforded by the initiative of the Government of Uruguay briefly to restate the policies which it is presently pursuing.

In the first place, the Government of the United States has considered it axiomatic that the security of each of the American Republics was dependent upon the security of all. It was for this simple but basic reason that it wholeheartedly supported at Buenos Aires, Lima, Panama, and Habana the several agreements to make inviolate the peace, security and territorial integrity of the Americas.

In the second place, the President of the United States has frequently declared, the last time formally before the chiefs of mission of the other American Republics in Washington on May 27 last,¹¹ the unshakable determination of the United States to give aid to whatever extent and in whatever quantity may lie within its power, to countries prepared to resist the forces of aggression. The Congress has passed legislation to enable the transfer of equipment and supplies to such countries,¹² and practical assistance on a stupendous scale is now being furnished.

In pursuance of these two policies, the one of hemispheric solidarity, the other of aid to countries resisting aggression,—but both of them with one end in view, namely, the security of the Western Hemisphere—the Government of the United States has offered and extended cooperative assistance of various types to the other American Republics. The economic and financial resources of the United States, the naval and air base facilities acquired from Great Britain¹³ and from Denmark,¹⁴ and military and naval matériel, have been made available to all the American Republics on the fullest cooperative basis for the common defense of the New World.

Equally significant of the desire and purpose of the United States to afford the greatest possible opportunity for realizing to the full the principle of hemispheric solidarity and defense, there was incorporated in the Neutrality Act of 1939¹⁵ a provision excepting,

¹¹ Radio address by President Roosevelt, delivered May 27, 1941; for text, see Department of State *Bulletin*, May 31, 1941, p. 647.

¹² Lend-Lease Act approved March 11, 1941; 55 Stat. 31.

¹³ See *Foreign Relations*, 1940, vol. III, pp. 49 ff.

¹⁴ See *ibid.*, vol. II, pp. 352 ff.

¹⁵ Approved November 4, 1939; 54 Stat. 4.

subject to certain conditions not here important, American states from the operation of the act when engaged in war against a non-American state or states.

The safety of the Americas hangs in the balance today. Constructive and far-sighted action now on the part of all the American Republics acting together will ensure the preservation for future generations of those liberties and other blessings which our forefathers so laboriously gained.

The Government of the United States welcomes and wholeheartedly supports the present initiative of the Government of Uruguay, and earnestly hopes that it may secure the common approval of the Governments of all the American Republics.

WASHINGTON, July 1, 1941.

740.00111 A.R./1447

The Secretary of the Navy (Know) to the Secretary of State

WASHINGTON, September 19, 1941.

SIR: The staff agreements that we now have with various American Republics provide that their harbors, ports, bases and facilities will become available to the Armed Forces of the United States only in case they are involved in repelling non-American aggression, either by invitation of the country attacked or by a special inter-American agreement.

There are no general agreements permitting the Armed Forces of the United States to use the harbors or port facilities of any of the American Republics under present conditions without special arrangements in each case.

The strategical situation is such that our Naval Forces now engaged in operations defending the Western Hemisphere should be permitted to use the port facilities of a number of the American Republics, with the least possible formality.

At the request of the Navy Department, arrangements have been made with Brazil to use the port facilities of Recife and Bahia. Negotiations are now pending for using the port facilities of Natal, Maceio, Guayaquil, Callao, Valparaiso, Antofagasta, and an anchorage in the Galápagos Islands. As our Naval operations increase in intensity, it will be most important to have available the facilities of many other ports of the American Republics, both on the Atlantic and Pacific Coasts.

It is suggested that broad agreements for the use of the desired ports and harbors, under present international conditions, might be arranged by means of a liberal interpretation of the Declaration of Uruguay, recently announced by the Uruguayan Government.

The original Declaration of June 18, 1917 was as follows:

"That no American country, which in defense of its own rights, should find itself in a state of war with nations of other continents, will be treated as a belligerent; and that existing decrees which may be in contravention to this resolution shall be null and of no effect."

As a clarification of this Declaration, The United States Minister in Uruguay sent a despatch to the Secretary of State, as follows:

"Uruguayan Minister for Foreign Affairs authorizes me to say to Department of State that all ships of the American Navy, of any kind whatsoever, may now and henceforth visit the ports of Uruguay, for any purpose whatsoever, where they will be received as friend, and not as belligerent, and without restrictions."¹⁶

It is understood that a number of the other American Republics have recently adhered to the Declaration of Uruguay, but under what conditions is not known.

In the opinion of the Navy Department, it is highly important that a definite understanding be reached with all the American Republics, regarding the Declaration of Uruguay and, if possible, secure the following:

(a) Adherence of all American Republics to the Declaration of Uruguay.

(b) All to give the same liberal interpretation as expressed by Uruguay in 1917.

(c) Permission for United States Naval Forces to use their port facilities now, as well as in case of our becoming a belligerent, by simple notification of entry, and without restriction as to time limits of the visits.

Respectfully,

FRANK KNOX

740.00111 A.B./1445

*Translator's Summary of Replies of the American Republics to the Uruguayan Proposal*¹⁷

Argentina—June 27

Agrees with Uruguay as to the seriousness of the situation which would arise should any American country be the victim of an aggression by a non-continental power.

¹⁶ *Foreign Relations*, 1917, supp. 1, p. 300.

¹⁷ This summary was prepared in the Department of State from the pamphlet of the Ministerio de Relaciones Exteriores de la República Oriental del Uruguay, entitled *Solidaridad Americana, Consulta Sobre el Caso de un Estado Americano en una Guerra Extracontinental* (Montevideo, 1941). The pamphlet was transmitted to the Department with despatch No. 199, October 3, 1941, from the Ambassador in Uruguay; received October 11.

Recalls that, as far back as 1863, Argentina had recognized that a threat to one American Government would be a threat to all and had stated that it would be the first to seek an agreement with the other American Governments to provide for the common defense and security.

But feels that the existing inter-American pacts are sufficient and that the purposes of this initiative, if achieved, would in no way modify the lines already laid down for the American Republics. If the spirit of declarations already adopted agrees that aggression against one American nation involves them all, then the duty of contributing to the common defense of the continent is obviously imposed.

Argentina's position, then, actually coincides with that of Uruguay.

Bolivia—July 4

Is "in accord with the attitude proposed . . .¹⁸ which harmonizes with the Pan American agreements, and in particular, with Resolution No. XV of the Habana conference."

Brazil—July 1

Fully adheres now—as in 1917—to the proposal that no American country which, in defense of its rights, may find itself in a state of war with countries from other continents shall be treated as a belligerent and hopes that it will be adopted by all the countries of the continent because it would make more rapidly executable, in the interests of America, the rules already established by the conferences at Lima, Panama, and Habana.

Colombia—July 2

Believes "that Resolution XV of Habana satisfies immediate needs . . . and that, accordingly, it might be wise for the present to observe the course of events in perspective, before assuming a new attitude."

Cuba—July 9

Considers that Resolution XV of the Habana conference fully covers the situation with its statement that any attack by a non-American State on the integrity or inviolability of the territory, against the sovereignty or political independence of an American State shall be considered an act against the States signing the declaration. The obvious consequence of this is that, in case of aggression, the logical, imperative reaction must be for each State to make available to the attacked State all the means which may progressively

¹⁸ Omissions throughout document indicated in translator's summary.

be necessary. The language of the agreement is so unmistakable that it patently not only includes the concept of not considering the attacked American nation a belligerent and granting its vessels port facilities, but also involves every sort of cooperation, including the extreme means of action which circumstances may require.

Furthermore, Cuba does not feel that the second paragraph of Resolution XV necessarily implies that consultation between the States can be effected only by means of meetings of Foreign Ministers, nor that such consultation will involve the question of what the attitude of the various States is to be in the situation. That has already been decided. Only tactical measures will need to be discussed. Hence, even a meeting of Foreign Ministers will not necessarily involve great delays.

However, Cuba recognizes the excellent moral effect and usefulness of Uruguay's proposal, since it allows the American Republics once more to reaffirm what they have already declared at Habana, with all the logical consequences which that declaration implies. On its part, Cuba states that it maintains all the obligations which it contracted at the Habana conference and is prepared to give all cooperation for the defense of the continent and the attacked State, as circumstances and the needs of each case may require.

Chile—July 2

Expresses the opinion that Resolution XV of the Habana conference "includes all that could be desired in the present circumstances with respect to a collective defensive entente and that the faithful fulfillment and normal functioning of its provisions will remove all danger of attack from our nationalities." Furthermore, the third paragraph of the resolution provides possibilities for the American Governments to improve its mechanism, in a gradual and progressive manner, as events require or as hemispheric conditions advise.

Chile feels that there is no advantage in drawing up new agreements, which would only be a repetition of those already in existence and which might weaken, rather than strengthen them, and likewise that there is no advantage in multiplying initiatives which might cause the countries of the continent to appear divided or create doubts as to the efficacy of their present agreements. It feels, further, that the meeting of Foreign Ministers provided in Resolution XV will provide the occasion for each Government to consider the background of the specific question and the measure of its contribution to the common effort, as well as the occasion to draft and adopt the measures the case requires, coordinate defense and establish a rapid and efficacious plan of action. In adopting this attitude, Chile believes that it is not deviating from the traditional line of its inter-

national policy of close solidarity and is ready to fulfill the engagements which it has contracted and to collaborate in the common defense.

Ecuador—July 4 (Communicated in a note of July 14 from the Legation in Montevideo)

The Government of Ecuador is completely in sympathy with the Pan Americanist attitude of the Uruguayan Government and declares that, for its part, no American country in the situation mentioned will be treated by it as a belligerent.

Ecuador considers that such an attitude is the obvious consequence of Resolution XV of the Habana conference, for if the American Governments hold themselves to be attacked whenever any one American country is the victim of an aggression, they obviously cannot treat as a belligerent an American nation involved in war, in defense of its rights, with a non-American power.

Ecuador feels that a declaration in this sense would constitute the agreement which Uruguay has persistently sought since 1917. In fully adhering to Uruguay's views, the Ecuadoran Government states that it would also like to see such a declaration "completed by others regulating the situation already established by other inter-American agreements, such as those relative to neutrality, security zone, etc., as well as to the concrete circumstances which the development of the world war is creating in regard to the international, economic, etc., life, of the American States."

El Salvador—July 4

Is completely in agreement with Uruguay's views. Will support any proposal looking toward the defense of the American Continent, in accordance with the resolutions approved at the Panama and Habana meetings. If, in addition to these resolutions, other precautions are considered necessary, El Salvador suggests the advisability of the creation of a Pan American organism of a military, financial and economic character, the exclusive purpose of which would be to prepare and direct the defense of this hemisphere.

United States of America—July 1 (See Department of State *Bulletin*, July 5, 1941, for English text.)

Guatemala—July 9

The Government of Guatemala finds that all the points in the Uruguayan memorandum coincide with its own ideals of Pan American solidarity and its constant effort to promote such solidarity and faithfully to comply with the agreements and declarations signed at the Buenos Aires and Lima conferences and at the meetings in Panama and Habana.

It recalls that at Buenos Aires¹⁹ Guatemala offered the draft of an inter-American treaty of solidarity and cooperation, in consideration of which point XXVII of the Final Act declared that "all the nations of America will consider as their own any injury inflicted by extra-continental nations on the rights of any one of them, and such injury must give rise to a uniform and common reaction." * Accordingly, Guatemala is exceedingly pleased with Uruguay's initiative and is happy to declare that, should the case occur, Guatemala would maintain the principles enunciated in Resolution XV of Habana and also the principle of the non-belligerency of any American nation involved in war with a non-American power, in defense of its rights.

Haiti—July 17

Haiti, in adhering to the proposals made by Uruguay in the sense of Pan American solidarity since 1917 and definitively formulated in Resolution XV of the Habana conference, feels that it has been faithful to a century-old policy of Haiti in international affairs. Further, in adhering in 1937 to the principles enunciated by the American Secretary of State to the effect that any situation of armed hostilities, or from which armed hostilities may result, constitutes a state of fact susceptible of affecting the rights and interests of all nations, Haiti showed its firm decision to collaborate in any measure capable of dissipating or combating any danger to the American continent.

Haiti adds that Uruguay's apparent fear of delay in the execution of the treaties intended to meet the case of an aggression would, in Haiti's opinion, be conceivable "if the attitude of the Government of the United States of America, one of those most capable of placing at the disposition of the countries of this Hemisphere the means of repelling the aggression, did not offer reasons for hope and confidence." It mentions the Lend-Lease Act as one of the reasons for such confidence, and the occupation of Iceland as another.

Honduras—July 29

". . . the Government of Honduras accepts and supports in its entirety the initiative of the Government of Uruguay in the matter."

Mexico—July 8

The Government of Mexico expresses extreme satisfaction with the Uruguayan doctrine of American solidarity, which coincides with the

¹⁹ Inter-American Conference for the Maintenance of Peace, held at Buenos Aires, December 1-23, 1936; for correspondence on the Conference, see *Foreign Relations*, 1936, vol. v, pp. 3 ff.

* The wording of this paragraph in the English text of the Final Act is not very close to this Spanish rendering i.e.: "That every act susceptible of disturbing the peace of America affects each and every one of them, and justifies the initiation of the procedure of consultation provided for in the Convention for the Maintenance, Preservation and Reestablishment of Peace, signed at this conference." (Report of the Delegation of the USA) Tr [Footnote in the translator's summary.]

spirit of firm continental cooperation which has ever animated the Mexican people. It is recalled that, on May 17, Mexico, at the meeting of the Neutrality Committee in Rio, maintained that the restrictions and limitations imposed as regards the security zone should only affect non-American powers. This implied the view that American countries, if at war with non-American nations, should not be treated as belligerents.

Mexico, hence, accepts the Uruguayan proposal both as to the matter and the procedure it suggests. As to the latter, however, it feels that Resolution XV of the Habana conference provides adequate means of consultation, pointing out that it does not require meetings of the Foreign Ministers for matters of this kind, but permits a system of direct consultation.

Mexico hopes that the proposal will shortly crystallize in a general formula.

Nicaragua—July 9

“ . . . supports the initiative contained in the memorandum from the Ministry of Foreign Affairs of Uruguay dated June 21 last.”

Panama—July 10

Accepts the proposal in principle and would be willing to adhere to it if it is accepted by all the American countries.

Paraguay—July 11

In principle supports any initiative tending to facilitate mutual aid and defensive cooperation between American nations and, accordingly, approves of Uruguay's efforts. It is of the opinion, moreover, that any American State attacked by a non-American power could not be treated as a belligerent. But, though it favors a practical formula for joint aid, it does not believe that the present procedure of consultation should be abolished. It is a procedure which has been approved at the various inter-American conferences and Paraguay holds that a method so sanctioned cannot be abolished by mere inquiry made of the various Foreign Offices.

Peru—July 4

While willing to coordinate its opinion with that of the other States, Peru holds the view that a new agreement, on the basis of the Uruguayan proposal, would avail little, as so much must depend on the course of the present conflict and the situation of each country with respect thereto, etc. It feels that Resolution XV of the Habana conference is adequate.

Dominican Republic—July 19

Finds that the initiative of the Uruguayan Government coincides entirely with its own views and, because of this harmony of views as

to the matter of the proposal, refrains from any discussion which might lead to the demonstration that a new collective pronouncement on the subject is unnecessary, because the "concordance of attitudes" suggested by the Uruguayan Government is already provided by existing Pan American agreements. Moreover, it does believe that the rapidity which would be obtained through a previously agreed-upon concordant attitude is a factor of such obvious usefulness in the case anticipated by the memorandum that it would fully justify any possible deviation which the new procedure might imply respecting other procedures—such as consultation—provided in existing agreements.

Venezuela—July 4

Finds its views in full harmony with those of Uruguay, as is clearly shown by its proposals at the Lima conference and at Habana, its proposal at the latter meeting having resulted in Resolution XV. It accordingly expresses its concurrence with the Uruguayan proposal and offers its support in considering the means by which these ideas may be given the form and efficacy of a positive rule of continental policy.

740.00111 A.R./1447

The Secretary of State to the Secretary of the Navy (Know)

WASHINGTON, October 14, 1941.

MY DEAR MR. SECRETARY: I acknowledge receipt of your letter of September 19 in which you invite my attention to the opinion of the Navy Department concerning the advisability of reaching a definite understanding with all of the American republics in regard to the Declaration made by the Uruguayan Government on June 18, 1917 and, if possible, to obtain their adherence to this declaration, in order that the naval forces of the United States may utilize the port facilities of these countries by simple notification of entry and without restriction as to the length of these visits.

The views which you express have received the careful and sympathetic consideration of this Department. In this connection you will recall that on June 21, 1941 the Government of Uruguay addressed to the other American republics a proposal that these republics should not consider as a belligerent any one of their number which, in the defense of right, should find itself in a state of war with nations of other continents. This proposal reaffirms statements made on this subject by the Uruguayan Government in 1917.

This Department did not fail to make known its wholehearted approval of the Uruguayan proposal in a memorandum handed to the

Minister of Uruguay in Washington on July 1 and instructed its diplomatic representatives in other American republics to communicate this view to the Governments to which they were accredited and to express the desirability of a favorable response. A copy of this memorandum is enclosed herewith.²⁰

In view of the foregoing, this Department has reached the conclusion that no useful purpose would be served by endeavoring to obtain from the other American republics their adherence to the Uruguayan Declaration of 1917. Furthermore, should the Navy Department desire to procure from the other countries the necessary port facilities it would be preferable to take this matter up with each country separately as has been done in the case of Ecuador and Peru.

Sincerely yours,

For the Secretary of State:
SUMNER WELLES

²⁰ *Ante*, p. 28.

CHILEAN PROPOSAL OF A JOINT DECLARATION BY THE
AMERICAN STATES FOR THE HUMANIZATION OF WAR

851.00/2435 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, November 4, 1941—9 p. m.

[Received 10:07 p. m.]

576. For the Secretary and Under Secretary. At 6:30 tonight Rossetti¹ summoned the heads of missions of all the American nations and gave to each a formal note with the explanation, as I understood him, that he hoped for a joint declaration of all the American nations in protest against the execution of hostages in France—a joint declaration and not a joint protest to the German Government. The note which is long will go forward tomorrow by telegraph. The substance of the note may thus be summarized.

[Here follows a summation of the note the text of which is contained in telegram No. 577, November 5, 9 a. m., printed *infra*.]

He said personally he hopes the press of the United States will support this strongly.

In presenting the note Rossetti referred to a joint declaration but I fail to see this clearly in the actual note. Shall see him tomorrow afternoon and get this clarified. My colleagues of course are consulting their Governments.

The strong language used, the direct reference to executions, impresses me as a remarkably strong exposition of Chile's position and certainly calculated to concentrate attention on the barbarism being practiced, to the general advantage of those opposing Hitlerism, it also bears out the impressions of the author of the note as I have transmitted them to you.

BOWERS

851.00/2438 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, November 5, 1941—9 a. m.

[Received 2 p. m.]

577. Reference to my telegram No. 576 November 4, 9 p. m. The full translated text of the Foreign Office note follows:

“MR. AMBASSADOR: On the 24th of October last, the Government of Chile requested the Government of Germany, through its Embassy at

¹ Juan B. Rossetti, Chilean Minister for Foreign Affairs.

Berlin, that the death penalty not be applied to numerous French hostages threatened with immediate execution because of the assassination of two high officials of the German army of occupation.

At the same time, this Chancery instructed its Diplomatic Agent to state in a friendly manner that the severity of reprisal through people innocent of the crime which was being prosecuted was augmented by the circumstance that a thorough investigation had not been conducted and was causing profound grief in Chilean public opinion.

The Government of Chile deemed that the step it was taking was in perfect accord with the spirit of the resolutions on the humanization of war, approved in four recent Pan American assemblies and with the spirit of the Conventions signed at the Hague,² Bern³ and Geneva⁴ on the same subject.

The moral and juridicial progress which the peoples of our hemisphere have attained has always inspired them to condemn all unnecessary violence and especially to welcome and adopt as their own all rules which have been formulated to mitigate the situation of the wounded, the prisoners and the civil populations.

If such rules are violated by those belligerents who, in times of peace, have participated in their formulation, the American community may not, therefore, consider them invalid nor cease to invoke them.

The American States, having incorporated these rules in their own international code on the conduct of war, wish that all nations observe them for the benefit of civilization. Chile particularly as a contracting party of the international instruments which establish them, considers that it is of positive interest that they be fulfilled in their letter and their spirit and for that reason has had them in mind in initiating these representations.

Reprisals exacted on the lives of hostages are without doubt contrary to the elemental principles of justice and humanity. They constitute a singularly anachronous immoderation of force for their practice has been abolished for centuries among Christian peoples. Nor would it be possible to accept the sacrifice of hostages as an integral element of what some doctrinaires call 'total war', for no American State professes this theory.

The constant efforts of the American nations in favor of such postulates of justice would be worthless if when faced by such concrete cases of violation they should not remember them to the end that they be respected but should allow them to perish amidst selfish indifference.

An opportune statement by the Governments of our continent in the form considered most effective, might lead to a moderation of the rigors of the European war in regard to the treatment of the civil populations, the prisoners and the hostages.

² Convention respecting the laws and customs of war on land, signed October 18, 1907, *Foreign Relations*, 1907, pt. 2, p. 1204.

³ Agreement concerning prisoners of war, sanitary personnel, and civilians, signed November 11, 1918, *ibid.*, 1918, supp. 2, p. 103.

⁴ Convention for the amelioration of the condition of the wounded and sick of armies in the field, signed July 27, 1929, *ibid.*, 1929, vol. 1, p. 321; convention relative to the treatment of prisoners of war, signed July 27, 1929, *ibid.*, p. 336.

It cannot be supposed that the collective voice of America would be ignored or received with displeasure as it is not raised for purposes of intervention or in hostile spirit, but rather inspired by the purest humanitarian sentiments and only for the purpose of once more placing in harmony its statements and its actions.

The Government of Chile believes that it would be fitting to reaffirm the principles of humanization of war contained in the international agreements mentioned above and especially in the following Pan-American resolutions: number XXXIV on 'Humanization of war', of the Conference for the Maintenance of Peace which met at Buenos Aires in 1936;⁵ number XVI of Eighth Pan-American Conference at Lima in 1938;⁶ the preamble of resolution CIX of the same Conference;⁷ number VII [VI?] of the First Meeting of the Ministers of Foreign Affairs of the American Republics held in Panama in 1939;⁸ number IX of the same,⁹ and resolution number IV of the Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana in 1940.¹⁰ The last of these establishes that 'It is America's unavoidable duty, for reasons of human solidarity, to contribute to the alleviation of the suffering and misery of victims of war'. Consequently the Government of Chile trusts that the considerations herein set forth will induce Your Excellency's Government to study the opportuneness of a statement in the nature suggested above as to extend to the nations stricken by the actual conflict an effective moral cooperation on the part of America for the purpose of lessening the cruel effects of the conflict.

I avail myself [etc.]

Juan B. Rossetti"

BOWERS

851.00/2438 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, November 7, 1941—11 p. m.

447. Your 576, November 4, 9 p. m. and 577, November 5, 9 a. m.

If you perceive no objection, please address the following note to the Foreign Minister:

⁵ For correspondence regarding this Conference, see *Foreign Relations, 1936*, vol. v, pp. 3 ff.; for Resolution XXXIV, see *Report of the Delegation of the United States of America to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1-23, 1936* (Washington, Government Printing Office, 1937), p. 232.

⁶ See *Foreign Relations, 1938*, vol. v, pp. 1 ff.; for Resolution XVI, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27, 1938* (Washington, Government Printing Office, 1941), p. 123.

⁷ *Ibid.*, p. 189.

⁸ See *Foreign Relations, 1939*, vol. v, pp. 15 ff.; for Resolution VI, see *Report of the Delegate of the United States of America to the Meeting of the Foreign Ministers of the American Republics, Held at Panamá, September 23-October 3, 1939* (Washington, Government Printing Office, 1940), p. 57.

⁹ *Ibid.*, p. 60.

¹⁰ See *Foreign Relations, 1940*, vol. v, pp. 180 ff.; for Resolution IV, see *Report of the Secretary of State, Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940* (Washington, Government Printing Office, 1941), p. 63.

"EXCELLENCY: I have the honor to refer to Your Excellency's note of November 4, 1941 with which Your Excellency advised me that on October 24 the Government of Chile requested the Government of Germany to refrain from applying the death penalty to numerous French hostages threatened with execution in reprisal for the assassination of two officials of the German Army of occupation.

The Government and people of the United States of America have suffered the deepest revulsion to the unhuman practice of executing innocent persons. The brutality inherent in the Nazi system is revealed again in the orgy of frightfulness that has been let loose by the uncontrolled passions of desperate men in an effort to break the spirit of freedom-loving people.

The Government and people of the United States of America sympathize deeply with the high principles of humanity and justice which have animated Your Excellency's Government in its courageous and Christian effort to alleviate the tragic situation of those unfortunate persons who, though innocent of crime, are held in bondage by the Government of Germany as a means of terrorizing into submission the governments and peoples of occupied countries.

The President of the United States on October 25, the day following the representations of the Ambassador of Your Excellency's Government at Berlin, expressed our horror, emphasizing that civilized peoples long ago adopted the basic principle that no man should be punished for the deed of another. A copy of the President's statement is enclosed."¹¹

HULL

851.00/2542

*The Chilean Minister for Foreign Affairs (Rossetti) to the
American Ambassador in Chile (Bowers)*¹²

[Translation]

No. I 4-0-1-2 a.-08050

SANTIAGO, November 25, 1941.

MR. AMBASSADOR: I have the honor to bring to Your Excellency's attention the text of a proposed joint inter-American Declaration on the Humanization of War which this Chancery has sent last night to its representatives abroad to the end that it may be submitted for the consideration and approval of Your Excellency's Government:

"The Governments of the American Republics, in the view of the recent deeds perpetrated during the present war, contrary to the spirit of the conventions on Humanization of War which include the abolition of reprisals on the persons of hostages, judge it necessary to insist that these diplomatic instruments, universal or American, are incorporated in their codes of international conduct and, therefore, that they desire to see them fulfilled and respected by all the nations of the globe.

¹¹ Department of State *Bulletin*, October 25, 1941, p. 317.

¹² Transmitted to the Department by the Ambassador in his despatch No. 2159, November 29, 1941; received December 8. The Chilean Embassy also sent a copy of this note to the Department on November 26.

Consequently they declare that, besides being a question of a juridical nature, it is of high ethical significance, and express their firm conviction that the useless suffering imposed on the combatants and the civil population cannot be justified in any way whatsoever.

The Governments of the American Republics reaffirm their faith in the principles of the Rights of Man, in international treaties and in progress of culture; condemn all unnecessary violence, and restrict the action of the belligerents to the moral standards established by the collective sentiment of the people."

The favorable reception of Your Excellency's Government to the Chilean suggestion leads me to hope that the terms of the declaration quoted above will be accepted.

On requesting Your Excellency's good offices in securing as prompt a reply as possible from Your Government, I avail myself [etc.]

JUAN B. ROSSETTI

851.00/2533

Memorandum of Telephone Conversation, by the Adviser on Political Relations (Duggan)

[WASHINGTON,] November 27, 1941.

I telephoned the Chilean Ambassador¹³ and spoke with him over the telephone about his Government's project for a joint declaration on the humanization of war since the Ambassador was leaving tonight for New York and wanted to send a telegram prior to his departure.

I told the Ambassador that this Government thoroughly applauded the kind motives which prompted the Chilean Government. I recalled that on a number of occasions, going back as far as the Spanish Civil war and continuing on through the present war, this Government had made earnest pleas to the belligerents to observe the rules of war as laid down in a number of international conventions. Appeals based purely on humanitarian considerations and not on any treaty commitments had also been made. When his Government informed this Government of the representations which it had made to Germany regarding the application of the death penalty to French hostages this Government had sent a note, through its Embassy in Santiago, expressing its support of the position taken by the Government of Chile. It was evident, therefore, that this Government was in full sympathy with what the Government of Chile was desiring to attain.

I told the Ambassador that it was the Department's considered view, however, that this Government could not, unfortunately, asso-

¹³ Rodolfo Michels.

ciate itself with the other American Governments in an appeal to Germany for the humanization of war. Germany was sinking American merchant and war ships without notice and in total disregard of international law. Previous appeals to Germany to change its ways had been utterly unavailing. It was, therefore, not to be expected that Germany would give ear to an appeal of the American countries in which the United States joined. Moreover, whatever small chance the joint declaration might have would probably be jeopardized were the United States to be one of the signatories.

The Ambassador stated that he understood fully the position of the United States; that as a matter of fact he had anticipated some such reply. He went on to say that he, personally, thought that a joint declaration of this character would be an expression of pious hope since Germany would never give heed to the views expressed by the countries of this hemisphere.

851.00/2599

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] December 6, 1941.

The Ambassador of Chile called to see me this morning at his request.

The Ambassador asked that Ambassador Bowers be informed by telegram that while the Government of the United States did not find itself able to sign any continental communication to the German Government of the nature proposed by Chile with regard to the execution by Germany of hostages, it nevertheless supported fully the principles maintained by the Government of Chile in that regard. I said that I should be glad to see that this was done.

S[UMNER] W[ELLES]

851.00/2533

The Secretary of State to the Ambassador in Chile (Bowers)

No. 889

WASHINGTON, December 9, 1941.

The Secretary of State encloses for the information of the Ambassador a translation of a Project for a Joint Declaration Concerning Humanization of War, presented by the Chilean Ambassador at Washington, November 26, 1941.¹⁴ It was proposed that this declara-

¹⁴ See note from the Chilean Minister for Foreign Affairs to the American Ambassador in Chile, November 25, and footnote 12, p. 42.

tion be made by all the American republics, to the attention of which copies of the draft declaration were brought by the Chilean representatives, with the request that their views be ascertained.

As will be observed from the enclosed memorandum of conversation of November 27 with the Chilean Ambassador,¹⁵ the Ambassador was informed that while this Government fully sympathized with the objectives in mind, association by the United States with the other American governments in an appeal to Germany for the humanization of war might jeopardize any possible success of such an appeal.

¹⁵ *Ante*, p. 43.

PROPOSAL BY THE UNITED STATES TO CERTAIN AMERICAN REPUBLICS THAT THEY INDIVIDUALLY APPEAL TO SPAIN NOT TO BECOME INVOLVED IN THE EUROPEAN CONFLICT¹

740.0011 European War 1939/10113 : Telegram

The Ambassador in Spain (Weddell) to the Secretary of State

MADRID, April 19, 1941—8 p. m.
[Received April 20—10:10 a. m.]

338. My 337, April 19, 6 p. m.² The failure of the Foreign Minister to clearly define his Government's policy as set forth in my telegram under reference, the tenor of recent editorial comment as previously reported, the repercussion of news from Greece, and the apparently general opinion of my American colleagues, gained by a canvass, that important decisions concerning Spanish-Axis relations will be shortly made and acted upon by this Government, make me feel that it would be highly desirable that the various American Republics represented here (within the limits of their declared policies in the present struggle against aggression) make their views known to the Spanish Government especially to the end that its neutrality be maintained. And this at the earliest moment.

A military collapse in Greece or even a stalemate there would be controlling and hastening factors designed for German-Spanish cooperation and action.

WEDDELL

740.0011 European War, 1939/10113 : Telegram

*The Secretary of State to the Ambassador in Argentina (Armour)*³

WASHINGTON, April 29, 1941—10 p. m.

From time to time the suggestion has been advanced that the American republics might address a collective statement to the Span-

¹For correspondence regarding proposal by Costa Rica that the American Republics send a collective note to Spain expressing the hope that Spain would refrain from becoming involved in the European conflict, see *Foreign Relations*, 1940, vol. I, pp. 773 ff. See also section entitled "Concern of the United States over maintenance of neutrality by Spain," *ibid.*, 1941, vol. II, pp. 880 ff.

²Vol. II, p. 888.

³The same, *mutatis mutandis*, on the same date to Bolivia, Chile, Colombia, Cuba, Peru, Uruguay, and Venezuela. A similar telegram was also sent as No. 68, on the same date, to the Chargé in Ecuador with the following additional paragraph:

"In discussing this question with Dr. Tobar, please emphasize the Department's awareness of Dr. Tobar's very great interest in this matter as well as of the constructive thought which he has devoted to it."

Julio Tobar Donoso was Ecuadoran Minister for Foreign Affairs.

ish Government urging upon that Government the desirability of its taking no steps calculated to extend the scope of the present European war. The principal objective of these proposals has been to endeavor to have Spain refrain from actively assisting the Axis powers. For a number of reasons it has never appeared to this Government that such a collective statement would serve a useful purpose.

In view of the favorable attitude of other American Republics toward the foregoing suggestion in the past, however, and having regard to present circumstances, you are requested in your discretion to invite the attention of the Argentine Foreign Minister to the possibility that his Government might wish to consider an individual approach, upon its own initiative, to the Spanish Government at this time. We do not feel that such action would have any beneficial effect if taken by us, or upon the initiative of this Government, but it is believed that if taken individually by other American republics upon their own initiative it might be helpful.

It is believed that the approach might take the form of an informal representation to the Government of Spain to the general effect that Argentina, conscious of its racial and cultural bonds with Spain, desires to take this opportunity of emphasizing its own adherence to the principles of peace and mutual respect for sovereignty between nations and its hope that Spain in the present circumstances will do nothing to depart from them. The proposed message might well be concluded with a concrete expression of hope that the Spanish Government will continue to avoid involvement in the present war and to maintain its sovereignty and independence.

A similar telegram is being sent to our missions in Peru, Colombia, Venezuela, Uruguay, Ecuador, Bolivia, Cuba, and Chile. Ambassador Caffery is also being asked to explain this situation to the Brazilian Foreign Minister with a view to enlisting his cooperation.

HULL

740.0011 European War, 1939/10113: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 29, 1941—10 p. m.

250. [Here follows summary of telegram printed *supra*.] The principal basis for such an approach is of course the common bond of race, language and history. While the circumstances are somewhat different in the case of Brazil, you are requested in your discretion to discuss the matter with Aranha⁴ or with Nabuco.⁵ It is the feeling of the Department that an expression of interest by the Brazilian Ambassador in Madrid might be very helpful.

HULL

⁴ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

⁵ Mauricio Nabuco, Secretary General of the Brazilian Foreign Office.

740.0011 European War 1939/10525: Telegram

The Minister in Peru (Norweb) to the Secretary of State

LIMA, May 1, 1941—10 a. m.

[Received 12:28 p. m.]

158. Department's circular telegram dated April 29, 10 p. m. In discussing this matter with the Minister of Foreign Affairs⁶ yesterday afternoon, I met with an attitude of pronounced indifference. He said that he had no knowledge of any recent proposal for inter-American action and that Peru had scant interest because it had decided some time ago that any such approach would be of little avail.

NORWEB

740.0011 European War 1939/10526: Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, May 1, 1941—6 p. m.

[Received 6:40 p. m.]

170. Department's circular telegram April 29, 10 p. m. In accordance with the Department's instructions I read a translation of the substance of the Department's telegram to Dr. Guani⁷ and left with him a brief informal memorandum.

He said that Uruguayan Government had been approached twice before to take a similar step, the latest being that of the British Minister a month ago. Guani said that his immediate reaction was that the situation in Europe had reverted to such a state of barbarism including Spain that any appeal based on the grounds of bonds or law, particularly from this hemisphere would now be completely without effect. I replied that nevertheless in the present desperate situation it seemed wise to leave no stone unturned to keep Spain out of the war, to which remark he half heartedly assented saying that he would take up the matter with President Baldomir whom he was seeing tonight.

CHAPIN

740.0011 European War 1939/10554: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 2, 1941—2 p. m.

[Received 4:11 p. m.]

389. Department's No. 250, April 29, 10 p. m. Nabuco says that he will instruct forthwith the Brazilian Ambassador in Madrid as desired.

CAFFERY

⁶ Alfredo Solís y Muro.⁷ Alberto Guani, Uruguayan Minister for Foreign Affairs.

740.0011 European War 1939/10568: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 2, 1941—7 p. m.

[Received 10:55 p. m.]

395. My telegram No. 389, May 2, 2 p. m. I saw Nabuco again this evening. He said that he had not yet sent the telegram to Madrid as he promised he would because when he saw President Vargas this afternoon Vargas raised the question as to why all of the Spanish-American Republics were not making an approach to the Spanish Government on this. Vargas added that if all the Spanish-American countries with diplomatic representatives in Spain were making representations to the Spanish Government Brazil would be glad to join them.

CAFFERY

740.0011 European War 1939/10721

The Chargé in Cuba (Beaulac) to the Secretary of State

No. 1977

HABANA, May 2, 1941.

[Received May 7.]

SIR: Supplementing my telegram No. 60, May 2, 3 p. m.,⁸ I have the honor to report that I discussed with the Minister of State, Dr. Cortina, the possibility of Cuba's addressing an informal communication to the Government of Spain along the lines suggested in the Department's circular of April 29, 10 p. m.

Dr. Cortina said that he believed that no harm could be done, at this stage, by appealing to Spain to cooperate in the sense of taking no steps which might result in extending the scope of the war, and that, on the other hand, some good might possibly be accomplished. He said that he liked the formula suggested by the Department and that he would instruct the Cuban Chargé d'Affaires, in Madrid to address a communication to the Spanish Government along those lines.

Respectfully yours,

WILLARD L. BEAULAC

740.0011 European War 1939/10606: Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, May 3, 1941—noon.

[Received 7:25 p. m.]

89. Department's circular telegram April 29, 10 p. m. The Minister of Foreign Affairs⁹ informs me that Uruguay proposed to the Vene-

⁸ Not printed.⁹ Caracciolo Parra-Pérez.

zuelan Government an informal statement to the Spanish Government similar to that suggested by the Department. He stated that Venezuela was firmly opposed to any such gesture because it was not only useless but imprudent since a move to mix in Spanish affairs might open the door for Spain to interfere in the affairs of Venezuela.

CORRIGAN

740.0011 European War 1939/10641: Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, May 5, 1941—11 a. m.

[Received 4:44 p. m.]

77. Referring to the Department's circular telegram of April 29, 10 p. m., Bolivian Minister for Foreign Affairs¹⁰ tells me he has already indicated informally to Spanish authorities advisability of refraining from actively supporting Axis Powers and he does not feel it would be helpful for him to take further action individually in this matter.

However he suggests that joint action would be more helpful and he is prepared to consider such a plan if other Latin American countries are of similar view.

JENKINS

740.0011 European War 1939/10568: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 5, 1941—5 p. m.

271. Your 395, May 2, 7 p. m. Please inform Nabuco that it is desired to avoid any appearance of a collective representation to the Spanish Government by all the American republics. It is hoped that the Brazilian Government will consider the question on its merits and without regard to whether other governments plan to take the proposed action. Obviously the situations of different governments of the American republics vis-à-vis the Spanish Government vary considerably. Some of them will feel able to act affirmatively in the present matter while others for various reasons will not wish to do so. It is my belief that any statement by the Brazilian Ambassador at Madrid would be most useful in the present circumstances.¹¹

HULL

¹⁰ Eduardo Anze Matienzo.

¹¹ In telegram No. 420, May 7, 1941, 3 p.m., from Rio de Janeiro, Ambassador Caffery reported that the Brazilian Government would take affirmative action (740.0011 European War 1939/10704).

740.0011 European War 1939/10644 : Telegram

The Chargé in Ecuador (Drew) to the Secretary of State

QUITTO, May 5, 1941—5 p. m.
[Received May 6—12:09 a. m.]

74. Referring to Department's No. 68, April 29, 10 p. m.¹² I discussed this matter with the Minister of Foreign Affairs this morning. He is in accord with the Department's suggestion and offered to inform me of the President's decision as soon as possible.

The Minister made a similar proposal to the governments of the other American Republics last March. He read me the replies received most of which raised some objection or agreed on condition that the action be unanimous. The reply of Peruvian Minister for Foreign Affairs suggested the possibility that Spain might agree to remain neutral on condition that the American Republics give a similar guarantee and pointed out that it would be impossible to comply with this understanding in the event that the United States entered the war. I informed the Minister that it was my understanding that we were not now proposing joint action and suggested the possibility that if any one country were to take the lead it might prompt other governments to take similar action.

The Minister for Foreign Affairs informed me that the British Minister had made a similar proposal last week.

DREW

740.0011 European War 1939/10795 : Telegram

The Chargé in Colombia (Keith) to the Secretary of State

BOGOTA, May 9, 1941—9 p. m.
[Received May 10—1:05 a. m.]

143. With reference to the Department's circular telegram April 29, 10 p. m., Foreign Minister¹³ has just informed me

"The Government of Colombia discreetly sounded out Spanish Government as to whether it would be agreeable to latter if the Ibero-American nations should request that Spain should preserve its neutrality in the present conflict.

The Spanish Foreign Office confidentially answered that this action would be very welcome being in harmony with the aspirations of Hispanidad but that it could not venture opinion as to the attitude Spain would assume in response to this action because of the supposition that this might favor a belligerent nation (Great Britain) and that Spain's situation was very difficult at this moment in view of its geographical position between the frontiers of France and Portugal

¹² See footnote 3, p. 46.

¹³ Luis López de Mesa.

and the possible intervention of the United States in the European war. Spain also expressed the guess that the United States might have undertaken this initiative."

The above is a translation of handwritten memorandum the Minister gave me. It will be observed that it refers to the Ibero-American nations although originally when presenting the subject I clearly specified the idea of individual approach. The Minister remarked that while the Spanish Foreign Office indicated it would welcome the action he knew that they would attach conditions, one of them being recognition of the common bonds of Hispanidad to which Colombia did not wish to tie itself.

KEITH

740.0011 European War 1939/11003: Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, May 16, 1941—3 p. m.

[Received 5:25 p. m.]

66. At the request of the British Minister President Ubico yesterday addressed a telegram to Franco expressing the hope that Spain will not enter the war, and has given instructions to the Foreign Minister to address the Governments of Central America requesting that similar action be taken by them.

Text of telegram by air mail tomorrow.

DES PORTES

[A memorandum prepared in the Division of the American Republics and dated May 8, 1941, states in part: "Replies have now been received from all except Argentina and Chile." (740.0011 European War 1939/10113) No replies from the countries named have been found in the Department files.]

740.0011 European War 1939/17844: Telegram

The Ambassador in Spain (Weddell) to the Secretary of State

MADRID, December 23, 1941—8 p. m.

[Received December 24—4:16 p. m.]

1098. The Chilean Ambassador tells me that after obtaining the approval of his Government and after conference with various American colleagues as well as with the British Ambassador, he is interviewing the diplomatic representatives of all American countries represented here with a view to inducing them to urge upon their respective Governments that they be authorized to make known to

the Spanish Government their Government's lively interest in the maintenance of the present non-belligerency of this country; in a word to exert their individual influence on Franco and his Cabinet to hold Spain [to?] present policy. At the same time Spain would be informed that the various American countries would endeavor to see that Spain's needs for raw materials and manufactured goods be met so long as it remained outside the Axis.

I told my Chilean colleague that I thought my country desired at least the maintenance of Spain's present international attitude and I could say further that we were disposed to help Spain in her economic difficulties having regard to our own needs but that nothing we might do must be susceptible of aid to the Axis.

The British Ambassador tells me that the Chilean and [apparent omission] Ambassadors called together on him to tell him of the above plan and that he had told them that he approved it in its general lines and that he was so informing his Government.

I consider the general idea a good one since the views of the various American countries along the lines indicated would have a powerful effect in official circles here. I would like to be authorized to inform the Chilean Ambassador of our favorable attitude toward the action being taken. Representations if made would be on behalf of all the American Republics represented here except the United States.

WEDDELL

740.0011 European War 1939/17844 : Telegram

The Secretary of State to the Ambassador in Spain (Weddell)

WASHINGTON, December 26, 1941—9 p. m.

696. Your 1098, December 23, 8 p. m. The Department approves your comments to the Chilean Ambassador.

Ambassador Bowers recently requested instructions from the Department with respect to the comments he should make in response to an inquiry from the Chilean Minister of Foreign Affairs concerning the attitude of this Government toward a collective appeal to the Spanish Government. Ambassador Bowers was informed that the Department perceived no objection to this initiative on the part of Chile, but it was suggested to Ambassador Bowers that he might comment to the Chilean Minister of Foreign Affairs in a friendly way that it would seem advisable to give very careful thought to the matter before undertaking an appeal which, since it would involve only the Spanish-American Republics as distinct from the United States, Brazil and Haiti, might have an unfavorable effect on the concept of complete continental solidarity. The Department now understands, how-

ever, that all the American Republics except the United States are included in the Chilean Prime Minister's initiative.

While the Department does not believe that this Government should consider participation in such an appeal or statement to the Spanish Government, you are authorized to inform your Chilean colleague that this Government is disposed, as always, to assist Spain in the solution of its economic problems, provided satisfactory assurances are given that such assistance will not be turned to the advantage of the Axis. You should point out however that in the present situation the first consideration in a question of economic supply must be the requirements of this country, its associates in the war, and this hemisphere.

HULL

REACTIONS IN THE OTHER AMERICAN REPUBLICS TO
THE DECLARATIONS OF WAR BETWEEN THE UNITED
STATES AND THE AXIS POWERS

740.0011 Pacific War/848c: Circular telegram

*The Secretary of State to Diplomatic Representatives in the
American Republics*

WASHINGTON, December 7, 1941—4 p. m.

Hawaii and Manila have been bombed by the Japanese. The President has accordingly ordered that the war plans against Japan be made effective at once. Please notify Foreign Office immediately.

HULL

740.0011 Pacific War/848d: Circular telegram

*The Secretary of State to Diplomatic Representatives in the
American Republics*

WASHINGTON, December 7, 1941—10 p. m.

Department's circular telegram of December 7. Please call immediately upon the Foreign Minister and make to him the following oral communication:

"As the Government of is aware, for some 9 months the Government of the United States has been engaged in conversations with the Japanese Government in an effort to find a peaceful solution to the problems of the Pacific. Throughout the course of these conversations the policy of the United States has been based on the principles of international law and relations to which all the American nations adhere.

Today without prior warning the territory of the United States has been subjected to acts of unprovoked aggression on the part of Japanese armed forces. These attacks were perpetrated under conditions of the most infamous treachery.

The Government of the United States would welcome an expression of the views of the Government of in the light of these circumstances and in the light of existing inter-American agreements and relationships."

Please make it clear that the inquiry made is at this stage for the confidential information and guidance of this Government.

HULL

740.0011 Pacific War/848b : Circular telegram

The Secretary of State to Diplomatic Representatives in the American Republics

WASHINGTON, December 8, 1941—1 a. m.

In view of developments the Department trusts that the Government to which you are accredited will take strong measures to prevent the use by the Axis powers of any of its communication facilities in a manner inimical to hemispheric security. It is this Government's view that constant vigilance should be exercised to prevent representatives of the Axis powers from sending or receiving messages through fictitious third parties or so-called cloaking addresses.

The Department would appreciate a telegraphic report as soon as possible.

HULL

810.20 Defense/1771a : Telegram

*The Secretary of State to the Minister in Guatemala (Dwyre)*¹

WASHINGTON, December 13, 1941—8 p. m.

228. Resolution XV, adopted at the consultative meeting in Habana,² provided that, in the event of aggression, "all the signatory nations, or two or more of them, according to circumstances, shall proceed to negotiate the necessary complementary agreements so as to organize cooperation for defense and the assistance that they shall lend each other." The contingency foreseen in that resolution has now taken place, and our two countries are now engaged in a common effort to defeat the aggressor nations. It is desired to initiate at once certain types of military cooperation, and you are therefore instructed to approach the Foreign Minister and reach an agreement with him regarding the following measures:³

A. The stationing of United States Air Corps detachments consisting of 15 technicians (7 non-commissioned officers and 8 privates) each at Guatemala City and San José. These will be service detachments, the purpose of which is to facilitate the movement of aircraft.

B. Permission to fly over and land on Guatemalan territory without limitation as to number or type of plane or personnel and armament carried. There would not be the usual notification through diplo-

¹ Sent, *mutatis mutandis*, to Costa Rica, Cuba, Dominican Republic, Ecuador, Haiti, and Nicaragua.

² For correspondence regarding the Second Meeting of Foreign Ministers of the American Republics convening at Habana on July 21, 1940, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.; for text of Resolution XV, see Department of State *Bulletin*, August 24, 1940, p. 136.

³ Agreement along these lines was reached before the end of 1941 with Ecuador, and, in principle, also with Cuba. For correspondence, see vol. vii, pp. 258 ff. and 97 ff., respectively.

matic or military channels but only such as is required for technical reasons, probably direct to the airport involved except in emergency cases or should military necessity require it.

C. Permission to use Guatemalan airports together with their facilities, such as servicing installations, repair shops, radio, telephone.

D. Permission for the unrestricted circulation of military personnel, uniformed and armed, or otherwise, as is necessary in connection with servicing aircraft, sheltering and rationing personnel, and sending and receiving necessary communications. This would include permission for the use of roads adjacent to airports and to arrange for the shelter and rationing of personnel (at United States Government expense) as may be necessary when flights are required to stop at any airport.

E. Permission to photograph the territory of Guatemala as may be necessary from a tactical point of view or as may be desirable for the compilation of air navigation charts.

This Government is confident that there will be full and continuing cooperation between the armed forces of the two countries for the attainment of the common objectives.

In the event that the Government to which you are accredited is prepared to grant the above privileges and wishes to formalize the agreement you are authorized to exchange written communications.

Please keep the Department closely advised of the progress of your negotiations.

HULL

ARGENTINA

740.0011 Pacific War/1085

Memorandum of Telephone Conversation, by the Adviser on Political Relations (Duggan)

[WASHINGTON,] December 8, 1941.

The Ambassador⁴ stated that the Argentine Foreign Minister⁵ had informed him that Argentina was giving publicity to the text of the note which Mr. Armour had read over the telephone to Mr. Welles.⁶ He said that the text of the note had also been sent by telegram so that it would be available to the Department.⁷

The Foreign Minister further added that it had been decided by the Cabinet to issue a decree⁸ which would declare that the usual neutrality existed as between Japan and Great Britain and the British

⁴ Norman Armour, Ambassador in Argentina.

⁵ Enrique Ruiz Guiñazú.

⁶ Under Secretary of State.

⁷ See *infra*.

⁸ For text of decree, see telegram No. 1411, December 9, 10 p. m., from the Ambassador in Argentina, p. 59.

Dominions. With respect to the United States the decree would refer in a number of *considerandos* to the declarations of solidarity of Lima⁹ and Habana and conclude that the United States was not to be regarded as a belligerent. Mr. Armour stated that on account of the necessity of securing signatures of all members of the Argentine Cabinet it would probably be tomorrow evening before the decree was issued.

Mr. Armour asked whether I had any comment. I said that the decree was good as far as it went but it was negative rather than positive. Mr. Armour stated that he had urged upon the Foreign Minister that the decree be accompanied by a declaration of solidarity. The Foreign Minister argued that the references to the appropriate resolutions of Lima and Habana took care of that.

The Ambassador said that Ruiz-Guiñazu had asked his opinion with regard to the Japanese inquiry as to whether Argentina would represent Japanese interests in the United States, Great Britain, and Canada. Dr. Ruiz-Guiñazu stated that if Argentina answered favorably to the Japanese Government it would be with the reservation that its acceptance was conditioned upon compliance with the international commitments which Argentina undertook at the meeting of Foreign Ministers in Habana.

Mr. Armour stated that he had replied to Dr. Ruiz-Guiñazu informally and personally that it looked to him as though this inquiry of the Japanese might be a maneuver to put Argentina in an embarrassing position and break the inter-American front. Moreover, it might put Argentina in an extremely difficult position if the American Republics were to decide on some joint action which would be inconsistent with Argentina's handling of Japanese interests.

Mr. Armour asked my comment. I told him that I thought that it would be exceedingly unfortunate. Mr. Armour thought that the British had made a prime mistake in asking Argentina to handle British interests in Japan. It was difficult now for Argentina to decline to represent Japanese interests in Great Britain, Canada, and the United States. Mr. Armour did not know whether the Argentine attitude would be changed by the British requesting some other country to handle its interests, but he suggested that the Department consider this possibility.

Dr. Ruiz-Guiñazu told Mr. Armour that he would be glad to have the informal advice of this Government. Mr. Armour hoped that he could give him this either later this evening or the first thing tomorrow morning.

LAURENCE DUGGAN

⁹ For correspondence regarding the Pan American Conference at Lima in 1938, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.

740.0011 Pacific War/759 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 8, 1941—10 p. m.

[Received December 8—7: 11 p. m.]

1400. Referring to my telephone conversation this afternoon with the Under Secretary and my telegram number 1395, December 8, noon.¹⁰

Following is text of reply received from Foreign Office today :

“The Ministry of Foreign Relations acknowledges the receipt of the *aide-mémoire* presented by the Embassy of the United States of America under date of yesterday, by which, in making known the acts of aggression of which the territory of the United States has been the object on the part of the armed forces of Japan, it requests, for the confidential information of its Government, an expression of the views of the Argentine Government, in the light of these circumstances and of the inter-American agreements in force.

In this connection the Ministry of Foreign Relations informs the Embassy of the United States that the Argentine Government takes note of the aggression committed against the integrity and the sovereignty of that country, and that it is disposed to adapt its conduct to the situation of reciprocal assistance and defensive cooperation providing [*provided*] for by Declaration XV of Habana,¹¹ of which this Government is a signatory.”

I am informed that the Foreign Office intends to make public the foregoing statement.

ARMOUR

740.0011 Pacific War/862 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 9, 1941—10 p. m.

[Received December 10—2: 14 a. m.]

1411. Reference to my telegram No. 1404, December 9, 2 p. m.¹⁰ The following is the text of the message sent at 7 o'clock this evening by Acting President Castillo, to President Roosevelt :

“I beg to inform Your Excellency that the Argentine Government, in view of the state of war which involves the United States and affects all of America as a whole, has today issued a decree whereby it is declared that the Republic does not consider the United States of America in the position of a belligerent country nor consequently subject in this country to the limitations appropriate to a regime of neutrality.

¹⁰ Not printed.

¹¹ Department of State *Bulletin*, August 24, 1940, p. 136.

In making known to Your Excellency the official position thus assumed by this Government in keeping with the common interests and sentiments of America in the face of an unjustifiable and lamentable aggression, I take particular pleasure in presenting to Your Excellency the friendly wishes of the Argentine Government and people."

The following is the text of the decree issued by the Acting President this evening, which is signed by Dr. Castillo and all of the Ministers.

"Having considered the communications received from the Embassy of The United States of America, from the Embassy of Great Britain and from the Embassy of Japan stating that there exists a state of war between the said powers, and

WHEREAS :

These communications make it necessary to determine the position of the Argentine Republic in this state of war, as well as the line of conduct to be observed in this case without precedent since this is the first time that the declarations and agreements with respect to solidarity, mutual assistance and defensive cooperation of the American nations as approved in the Conference of Buenos Aires and the meetings of Lima, Panama and Habana, will be applicable.

To this end it is especially fitting to invoke Declaration XV of the Meeting of Habana to which the Argentine Republic adhered with the other American countries, since this case relates to an extracontinental aggression against the sovereignty of one of the American States and the violation of its territory.

The Vice President of the Argentine Nation in exercise of the executive power in a general Ministerial solution [*resolution*] decrees:

Article 1. The position of the Argentine Republic in the present international conflict will be governed with respect to the United States by the Pan American obligations assumed with regard to solidarity, mutual assistance and defensive cooperation.

Article 2. As a consequence of this, the Argentine Republic does not consider the United States of America in the position of a belligerent country in this conflict.

Article 3. The provisions of the decree regarding neutrality prescribed by Ministerial Resolution of September 4, 1939 are made applicable to the present state of war and only with respect to Great Britain and Japan.

Article 4. The Argentine Republic in due course and following the procedure provided by the above mentioned convention XV of Habana will proceed to negotiate the necessary complementary agreements.

Article 5. Let this be communicated, published in the official bulletin and given to the National Registry.

ARMOUR

740.0011 Pacific War/862 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, December 10, 1941.

1049. Your 1411 and 1412, December 9, 10 p. m.¹³ The following message is being sent directly to Acting President Castillo by President Roosevelt:

“Your Excellency’s friendly and cooperative message was profoundly appreciated by the Government of the United States, and I am sure that the sincere good wishes of the great nation of Argentina will be particularly encouraging to the American people in this hour when they have been subjected to treacherous aggression. As Your Excellency so well states, this unprovoked attack from a non-American nation must affect all of America as a whole. The solidarity of the nations of this hemisphere is, however, an invincible bulwark for the unstinting war effort of the United States, and of those sister Republics which are now at war. Your Excellency may be sure that the Government of the United States is deeply grateful for such practical cooperative measures already taken by Your Excellency’s Government in accordance with the terms of the existing agreements between the American Republics.”

HULL

740.0011 Pacific War/927 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 10, 1941—8 p. m.

[Received 9 : 12 p. m.]

1423. Department’s rush circular, December 8, 1 a. m. In a communication this date the Foreign Office states that in accordance with the wishes of our Government it has recommended that the necessary measures of an internal character be taken to the end that in the war in which we are engaged with Japan the latter country or its allies may be prevented from making use of the communications facilities of this country to endanger in any way the security of the continent.

ARMOUR

740.0011 European War 1939/17495 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 13, 1941—2 p. m.

[Received 3 : 15 p. m.]

1457. The Foreign Office has communicated to me the following decree issued today declaring that the United States is not considered as

¹³ Latter not printed.

a belligerent by Argentina in the state of war existing between the United States and Germany.

"In view of the communications received from the Embassies of the United States of America, Germany and Italy regarding the state of war existing among these nations, considering the terms of the decree issued by this Government by a general Ministerial resolution of the 9th instant¹⁴ in view of the war into which that American country has been drawn as a result of the aggression carried out against it and in accordance with the declarations and agreements applicable to the case under the terms of which the Argentine position is defined within principles of continental unity, the Vice President of the Argentine Nation exercising executive power decrees:

Article 1: The position established by decree on the 9th instant is hereby extended to the state of war existing between the United States of America and Germany and Italy insofar as it declares that the Republic does not consider the United States of America in the situation of a belligerent country and there are hereby applied to Germany and Italy the provisions of the decree of neutrality issued through a ministerial resolution on September 4th, 1939.

Article 2: Let this be communicated, etc."

ARMOUR

740.0011 European War 1939/17616: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 17, 1941—noon.

[Received 9:20 p. m.]

1492. Reference Embassy's telegram 1471, December 16, 8 p. m.¹⁵ Following Cabinet meeting last evening the Acting President issued following decree proclaiming state of siege throughout the country:

"Whereas the gravity of the international situation imposes upon the Executive Power the obligation to take all measures tending to strengthen the moral unity of the nation in order to be able to maintain fully and effectively the position adopted with regard to the war, it is necessary to this end to suppress all activity tending to increase the passions aroused by the war which in disturbing public order may endanger public tranquility by subversive appeals or undesirable means of expression. The international undertaking accepted by the Republic in the latest Pan American Conferences impose furthermore as a safeguard to neutrality and continental defense a series of measures which cannot be carried out with the necessary thoroughness within the limits of the constitutional guarantees created for normal times. The suspension of certain guarantees of this kind may be decided upon as a preventive measure as sanctioned by law and doc-

¹⁴ See telegram No. 1411, December 9, 10 p. m., from the Ambassador in Argentina, p. 59.

¹⁵ Not printed.

trine, since its very announcement may have the effect of preventing agitation which might lead to the disturbance of public order. On this occasion the Executive Power reaffirms its decision that the state of siege shall not exclude lawful activities relating to labor or the exercise of other rights carried out in conformity with the laws.

Wherefore in exercise of the authority conferred by Articles 23 and 86, Paragraph 19 of the National Constitution, the Vice President of the Argentine Nation, exercising the Executive Power by general ministerial resolution decrees:

Article 1. A state of siege is declared in all the territory of the Republic.

Article 2. Let account be given in due course to the honorable Congress.

Article 3. The necessary instructions for the execution of the present decree will be issued by the Minister of the Interior.

Article 4. Let this be communicated et cetera."

The decree is signed by the Acting President and all the Ministers of the Government.

Following the issuance of the decree last evening the Chief of Police warned all newspapers that they should "abstain from commenting upon the measure taken by the Executive Power, as well as from all tendentious discussion of the international situation and the publication of anything that might disturb internal political tranquility".

ARMOUR

740.0011 Pacific War/1415

The Ambassador in Argentina (Armour) to the Secretary of State

No. 3729

BUENOS AIRES, December 19, 1941.

[Received December 26.]

SIR: I have the honor to report that the outbreak of war between the United States and the Axis powers has created a pronounced reaction in Argentina in favor of the United States. The fact that war came as a result of Japanese aggression, and particularly the treacherous nature of that aggression, has undoubtedly been a principal factor in the exceptionally strong reaction which has made itself manifest in all levels of Argentine society.

I have already had occasion to refer in various telegrams to the reaction of the press, which, excepting of course such pro-Nazi organs as *El Pampero*, has been decidedly outspoken in support of the United States and in favor of full cooperation by Argentina in the common task of defending America. The Department is also, of course, aware of the personal messages addressed to President Roosevelt by the Acting President, by President Ortiz, and by such prominent Argentines

as former Presidents Dr. Marcelo T. de Alvear and General Agustín P. Justo, the President of the "Círculo de la Prensa", Jorge Artayeta, and the well-known lawyer, Angel Sánchez Elía. General Justo also called in person at my office.

I believe that the Department will be interested to know that since the Japanese aggression on December 7 the Embassy has received literally hundreds of messages of friendship, encouragement and support from people in every walk of life in this country. Many of these messages have been delivered to me personally, others have been received in letters and telegrams. The sentiments expressed in all of them have been the same: horror and disgust at the treacherous Japanese attack, expressions of friendship and solidarity toward the United States, and frequently offers of personal cooperation in any way possible.

Among the distinguished Argentines from whom messages have been received, in addition to those already noted, I may mention Monsignor Franceschi, who called the day following the Japanese attack; Dr. Julio A. Roca, who called personally at my residence; Dr. Jorge Mitre, owner of *La Nación*; Señor Alberto Gainza Paz, nephew of Dr. Ezequiel Paz, owner of *La Prensa*; Dr. José Luis Cantilo, and other members of the delegation of Argentine Deputies who have recently returned from the United States, all of whom have called upon me within the last few days; Dr. Enrique Gil; Dr. Guillermo E. Leguizamón, President of the Southern Railway; Dr. Federico Pinedo; Dr. Dimas Gonzalez Gowland, Dean of the Faculty of Law and Social Sciences of the University of Buenos Aires; Dr. Patrón Costas, President of the Senate; General Guillermo J. Lohr, former Inspector General of the Army; Colonel Zanni, Chief of the Army Air Corps; Colonel José Francisco Suárez, Secretary of the Minister of War; Senator Ricardo Caballero; Dr. Nicanor Sarmiento, President of the Academia Americana de la Historia; Dr. José Arce, Dean of the Medical School of the University of Buenos Aires; and the Minister of Finance, Dr. Acevedo. Expressions of solidarity and support for the United States have come from the owners and editors of the leading newspapers of Buenos Aires and a number of provincial cities; from officials of the Foreign Office and other Government Ministries; from the clergy; from cultural, professional, artistic and educational organizations and associations; from labor unions; from distinguished members of the medical and legal professions; and from officers of the Army and Navy. To all of these spontaneous messages of friendship and support, I have sought to give a prompt and adequate response.

There are a number of features of particular significance worth noting in connection with this unusual demonstration of solidarity and friendship with the United States.

1. Immediately after the Japanese aggression, the Embassy began to receive a considerable number of inquiries from persons desiring to enlist in the armed forces of the United States. Other inquiries have been received regarding the possibility of serving as technicians in one capacity or another in our war industries.

2. The attitude of Argentine Army, Navy, and Air Force officers in general seems to have undergone a transformation. The Military and Naval Attachés of the Embassy as well as the Chief of our Military Air Mission, Lieutenant Colonel Deerwester, and of our Special Naval Mission, Captain Metz, have all been impressed by the numerous manifestations of solidarity which they have received. Captain Metz, who is acting as advisor at the Naval War College, reports that 7 of the 17 members of the staff and student officers of the War College have personally expressed to him their enthusiastic support of the United States. The attitude of the members as a whole, with the exception of one officer notoriously pro-Nazi, has undergone a radical change in favor of United States. Lieutenant Colonel Deerwester has submitted a memorandum to me describing the reactions which he has observed among the officers of the Argentine Army Air Force following the Japanese attack upon the United States, which indicates a similar trend. A copy of this memorandum is enclosed.¹⁷

3. The attitude of Monsignor Franceschi is highly significant in view of his position and influence in Church circles. Monsignor Franceschi telephoned on the morning of December 8 to express his sincerest regrets and sympathy at the aggression directed against the United States by Japan, and to wish us every success in the task that lies before us. (As stated above, he also called on me later when he expressed the same sentiments in person.) In the weekly edition of the Catholic review *Criterion* on December 11, there appeared a leading article by Monsignor Franceschi entitled "The Japanese Aggression", which is particularly important. Copies of this edition of *Criterion* are enclosed.¹⁷ As the Department is aware, Monsignor Franceschi recently accepted an invitation from the National Catholic Welfare Council to visit the United States next spring. (Cf. despatch No. 3573, November 27, 1941.¹⁷)

4. The popular attitude is graphically illustrated by that observed by a member of my staff in several of the leading coffee shops of Buenos Aires on the evening of December 8. In each of these the national anthems of the United States, Great Britain and Argentina were played by the orchestras to the accompaniment of loud cheers and cries of "Viva los Aliados". The playing of the Argentine national anthem in coffee shops is itself rare except on national holidays.

5. The attitude of the conservative elements in the country, which as a whole has been the least sympathetic to the democratic cause and most favorable to the application of totalitarian methods in Argentina, apparently has been altered to some extent. This is indicated by the messages which have been received from prominent conservatives such as the President of the Senate, Dr. Patrón Costas, who in the past has not been regarded as particularly friendly toward the United States.

¹⁷ Not printed.

I am enclosing a memorandum¹⁸ of an interesting conversation which I had with Admiral Guizazola, Chief of the Naval General Staff, at a luncheon today at the Naval War College, which casts some further light on the attitude of Argentine Naval Officers toward the war between the United States and Japan.

As already indicated at the beginning of this despatch, the fact that it was Japan, rather than Germany or Italy, which attacked the United States, together with the infamous manner of the attack, has undoubtedly been a principal factor in the strong reaction in favor of the United States observed in Argentina. With the declaration of war by Germany and Italy against the United States, some cooling off in Argentine enthusiasm for our cause may be expected, and has indeed already been observed. Nevertheless, the views expressed by Monsignor Franceschi in his article in the enclosed copy of *Criterio*, may be taken as an encouraging indication of a growing appreciation on the part of conservative elements in Argentina that no distinction can be made between the methods or aims of the different members of the Axis.

Respectfully yours,

NORMAN ARMOUR

740.0011 Pacific War/1512

The Ambassador in Argentina (Armour) to the Secretary of State

No. 3740

BUENOS AIRES, December 24, 1941.

[Received December 31.]

SIR: Supplementing my recent telegrams and telephone conversations with Mr. Duggan, I have the honor to inform the Department that the position of the Argentine Government at this moment, and with particular reference to the forthcoming conference of American Foreign Ministers in R o de Janeiro, is in considerable doubt. An analysis of developments during the past two weeks may be useful in arriving at some idea of the actual situation, although it would be premature and hazardous to venture any definite prediction of the attitude that this Government may finally adopt. Obviously the decision of the Argentine Government in this respect will depend upon a variety of factors, not least of which will be the degree of solidarity that may be manifested by the other American Republics during the next few crucial weeks.

The action of the Argentine Government in issuing the decrees of December 9 and 13, 1941, whereby it was declared that the United States would not be considered as a belligerent in the war with Japan, Germany and Italy, was accepted at the time as an indication of an intention on the part of this Government to cooperate with us and

¹⁸ Not printed.

with the other countries of this hemisphere in the common task of continental defense. (Reference Embassy's telegrams nos. 1411 of December 9, 10 P. M., and 1457 of December 13, 2 P. M.) This belief was strengthened by the action of the Acting President, Dr. Castillo, in sending a personal message to President Roosevelt on December 9, in which he concluded with an expression of the friendship of the Argentine Government and people. This action appeared particularly significant in that it was the first time that Dr. Castillo had seen fit to address such a message to the President of the United States.

On December 16 the Government issued a decree proclaiming a state of siege throughout the Republic. On the basis of this decree, as reported in my telegrams Nos. 1492 of December 17, 12 noon, and 1516 of December 20, 3 p. m.,¹⁹ the police authorities have been instructed not to permit the holding of public assemblies, or to permit the publication in the press of any articles or comment which can be construed as critical of the Government's international policy, which "may affect the neutrality of Argentina toward other nations in conflict", or which may tend to disturb internal order.

The decision of the Government to impose a state of siege was foreshadowed in an exclusive interview which the Acting President gave to *La Razón* on December 15, and which was published in three columns on the front page. It would appear that in granting this interview Dr. Castillo was seeking to justify a state of siege in advance, and to make it more acceptable to the country, on the ground that the Government required this additional power in order to carry out quickly and effectively the international obligations which it had assumed through declaring that it would not consider the United States as a belligerent in the present war. According to the account of the interview as published by *La Razón*, the Acting President went so far as to say that "The Executive Power considers that the propaganda which is being carried on in favor of the countries which are at war with the United States should cease, because, if it should not cease, one would be engaging in a flagrant violation of the very decree of non-belligerency (of the United States)".

Any belief that the state of siege would be used by the Government primarily to squelch pro-totalitarian propaganda and subversive activities, that may have been created by the Acting President's declarations on December 15, has been dissipated by the events which have followed. The preamble of the decree itself mentions the necessity of strengthening the moral unity of the nation in order to maintain fully and effectively the position adopted by Argentina toward the war, and also mentions the obligations imposed by Pan American

¹⁹ Latter not printed.

undertakings which can not effectively be carried out within the limits of the constitutional guarantees intended for normal times. This portion of the preamble, however, includes a clause referring to the necessity for safeguarding neutrality, which in itself is hardly consonant with the idea of cooperation for continental defense against totalitarian aggression. (According to the Under Secretary of the Interior, this reference to neutrality was inserted by the Minister of Foreign Affairs after the decree had been prepared by the Ministry of the Interior.) Aside from this, the preamble specifically refers to the necessity of suppressing "all activity tending to increase the passions aroused by the war which in disturbing public order may endanger public tranquillity by subversive appeals or undesirable methods of expression".

It may be noted that the action of the Government in proclaiming a state of siege throughout the Republic is based upon the authority conferred by Article 23 and paragraph 19 of Article 86 of the Constitution. The provisions of the Constitution authorize the declaration of a state of siege "in the event of internal disorder or external attack". In the present instance the Government has declared a state of siege in the absence of either of these conditions, asserting in the preamble to the decree of December 16 that "the suspension of certain guarantees of this kind may be decided upon as a preventive measure". It may be observed furthermore that Article 86, paragraph 19, provides that a state of siege may be declared only for a limited period, whereas the present decree specifies no time limit.

In actual practice thus far the application of the restrictive measures against public assemblies and the press has operated to prevent public expressions of support for the United States on the part of the large majority of the press and public which favor the democratic cause. Even if similar restrictions are enforced against pro-totalitarian organs, as the Minister of the Interior has asserted to me is the case, the ultimate effect is, nevertheless, to muzzle public expression and to weaken the general demand upon the Government for a more open and energetic collaboration by Argentina with the United States and other American countries against all forms of totalitarian aggression. As reported in my telegram No. 1493 of December 17, 10 p. m.²⁰ and in subsequent telegrams, the mass meeting scheduled for last Saturday in homage to President Roosevelt, at which I had expected to read the President's message of appreciation, was suspended without further public explanation than that it could not be held under the existing state of siege. I am submitting a full report of this incident by separate despatch.

²⁰ Not printed.

While there is some difference of opinion in political and other circles regarding all of the considerations which may have played a part in determining the Government to invoke a state of siege at this time, there is general agreement that the principal objective is to assure firmer control of the internal political situation. Developments in recent weeks suggest the growing unpopularity of the Government and a constant narrowing of the basis of support upon which it can rely. . . .

The position of President Ortiz may have been a factor in the decision of the Government to declare a state of siege at this time. Various members of the Radical Party have told me in recent weeks that pressure was being brought to bear upon the President by various persons to persuade him to return to power. Honorio Pueyrredon²¹ told me that he had urged the President to do so for the sake of the Party, regardless of the state of his health, and that Ortiz had asked for 48 hours to think the matter over. Another story, which comes from a source very close to General Justo and may have a basis in fact, is that the President has been considering the idea of submitting his formal resignation from office, thereby forcing the calling of the Congress into session to consider it. If this report is true it would explain the Government's haste in declaring a state of siege in order to avoid the necessity of convening the Congress. (President Ortiz' comments regarding the policy of the Government are reported in my strictly confidential despatch No. 3725 of December 19, 1941.²²)

The position of General Agustín P. Justo may also have been a factor in the Government's decision, particularly since the General made such a public display of solidarity with us after December 7. Reports of dissension within the Cabinet, which have circulated in recent weeks, have usually involved the names of the two Ministers generally considered to be followers of Justo—Culaciati and General Tonazzi—and the rumor has been that efforts were being made to force them out. The latest rumor of this kind was given publicity last week by the evening newspaper *Noticias Gráficas*, which suggested that the Acting President intended to reorganize the Cabinet, including the elimination of these two Ministers and the reshuffling of other portfolios, with the view to strengthening his own personal control of the Government. This report was denied to me by the Under Secretary of the Interior, Dr. Castells, who insisted that there was nothing to it. On the other hand, my British colleague tells me that he has received information from a source close to Culaciati to the effect that the latter actually handed in his resignation recently, but that it was turned down by

²¹ Head of the Radical Party.

²² Not printed.

Dr. Castillo. Whatever the exact truth may be, it appears evident that the imposition of the state of siege has also served to close down the channels of publicity which General Justo has been using to promote his campaign for the Presidency in 1943.

An element in the internal situation which is, of course, particularly disturbing, and which it is not possible to gauge with accuracy at this time, is the extent of the influence in the Government of various groups known to have pro-totalitarian sympathies. . . .

The extent of the influence of the foregoing elements in the present Government can not, as I have already remarked, be accurately gauged at this time; but there is little doubt that such influence exists and is making itself felt. . . .

A number of reports have come to me of what transpired at the Cabinet meeting last evening which serve only to strengthen the impression that the Government intends to do nothing more in the direction of full collaboration with us unless and until it feels compelled to do so. The meeting of the Cabinet had been announced as for the purpose of deciding the position to be adopted by the Government at the forthcoming conference at Río de Janeiro. After the session the Acting President informed the press that the Foreign Minister had presented a report on the principal points of the agenda for the Río conference, with a view to determining the policy to be followed by the Argentine delegation; that several remaining points would be considered at a further Cabinet meeting next Tuesday; and that it had been decided to extend the present budget with certain minor changes for the year 1942. At the same time a decree was made public announcing the membership of the Argentine delegation to the forthcoming conference, which had already been made public by the Foreign Office several days earlier. (Embassy telegram No. 1517 of December 20, 3 p. m.²³) According to the information which I have received, the Foreign Minister's statement at yesterday's session of the Cabinet consisted essentially of an argument against any closer cooperation with us and in favor of maintaining the strictest possible neutrality. As a result, the Cabinet postponed reaching a decision despite the fact that a majority of the Ministers are said to have favored adoption of a fairly strong position which would have been made the basis of a statement in support of continental solidarity.

A Conservative point of view which should not be overlooked is one that has been reflected in recent days in the comments of various members of the Conservative group to which Castillo belongs. This is to the effect that they are well satisfied with the manner in which Argentina is living up to its Inter-American commitments, and resent any suggestion, especially from a North American source, that it should go further.

²³ Not printed.

In the absence of any concrete indication to the contrary, I believe that the Government will continue to follow a day to day policy of procrastination and evasion, and will be influenced in its final decision with regard to the commitments to be undertaken at Río de Janeiro largely by the course of the war and the position taken by the other American Governments.

NORMAN ARMOUR

BOLIVIA

740.0011 Pacific War/760 : Telegram

The Chargé in Bolivia (Dawson) to the Secretary of State

LA PAZ, December 8, 1941—8 p. m.

[Received 11:43 p. m.]

356. Department's circulars December 7, 4 p. m. and 10 p. m. Minister of Foreign Affairs²⁴ informs me orally that President and Cabinet authorize him to state that Bolivia is shocked by the barbarous attack on the United States and will cooperate loyally with the United States, similar statement by him published in this morning's press. He added that he would express this formally in reply²⁵ to my note delivered to him in compliance with circular of December 7, 4 p. m.

From questions which Minister asked concerning attitude of other American Republics, it seems probable Bolivia will await action of neighboring countries before deciding how far its "cooperation" will go. President and Cabinet officers have canceled trip scheduled to southern Bolivia because of international situation.

The two pro-democratic newspapers have published strong editorials supporting the United States but others have not yet commented. Legation has received numerous expressions of sympathy, offers to volunteer, et cetera. Public opinion is mostly with us on our feeling, is superficial and based largely on fact of Bolivian economic dependence on the United States.

DAWSON

740.0011 Pacific War/1032 : Telegram

The President of Bolivia (Peñaranda) to President Roosevelt

[Translation]

LA PAZ, December 11, 1941.

I have the honor to inform Your Excellency that my Government, in Cabinet meeting, has issued the following decree:

²⁴ Eduardo Anze Matienzo.

²⁵ For text of formal note, see Department of State *Bulletin*, December 13, 1941, p. 487.

Enrique Peñaranda C., Constitutional President of the Republic, Considering, that the purposes of cooperation of the Bolivian Government and people with the other nations of the continent are unshakeable; that the traditional bonds which unite them with those nations have been translated into formal, legal engagements based on the policy of relation of the American countries; that respect for the principles of international law as the rule and guarantee of common existence of nations is a Bolivian doctrine; that, accordingly, it rejects acts of unjustified aggression;

With the affirmative opinion of the Council of Ministers decrees:

Art. 1. The Government of Bolivia stands solidly with the United States and with the other American countries which have declared war on Japan and will give the cooperation provided in resolution No. XV of Habana.

Art. 2. The Government of Bolivia will not consider as a belligerent any American Republic which, in defense of its rights, is in a state of war.

Art. 3. Nationals of the countries of the Axis resident in national territory will be subject to strict supervision.

Art. 4. The funds of bank accounts and securities of Japanese individuals and corporations are immobilized.

Art. 5. Postal, telegraphic and radiotelegraphic control with respect to the interior and exterior of the country is established and with respect to all means of propaganda which may attack the international position of the Republic and the democratic regime established.

Art. 6. Mining operations, railroads, airdromes, radiotelegraphic stations, oil wells, factories, etc. will be under armed guard.

The Ministers are charged with the execution and fulfillment of the present decree. Given in the Palace of Government of the City of La Paz, the 10th day of the month of December, nineteen hundred and forty-one. General Enrique Peñaranda—Eduardo Anze Matienzo—Adolfo Vilar—Joaquin Espada—Alberto Crespo Gutierrez—Justo Rodas Eguino—Arturo Pinto Escalier—General J. Miguel Candia. A true copy, José Eduardo Guerra, Chief Clerk of Foreign Affairs.

In informing Your Excellency of this decision, it is an honor to express my admiration of the historic discourse which you gave yesterday, the firmness, moral elevation and juridical contents of which give dignity to humanity and safeguard the conquests of civilization. I offer your Excellency the assurances of my highest and most distinguished consideration.

GENERAL ENRIQUE PEÑARANDA

BRAZIL

740.0011 Pacific War/730 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 8, 1941—1 p. m.

[Received December 8—12:14 p. m.]

1935. The following communiqué has been issued by the office of President Vargas:

“The President of the Republic today called a full Cabinet meeting to examine the international situation in view of recent events. It was resolved unanimously, to declare solidarity with the United States, in line with our continental obligations. The Government trusts that the Brazilian people, faithful to their political traditions, will remain calm and vigilant, avoiding demonstrations which may disturb the tranquility necessary for the work and life of the country.”

CAFFERY

740.0011 Pacific War/761 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 8, 1941—6 p. m.

[Received 7:17 p. m.]

1941. Department's circular telegram December 8, 1 a. m. Aranha²⁶ says that the Brazilian Government will take the strong measures desired by the Department.

As the Department is aware this is no child's play in view of the existence of so many clandestine stations in this country.

CAFFERY

740.0011 Pacific War/756 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 8, 1941—6 p. m.

[Received 9:40 p. m.]

1945. My telegram number 1935, December 8, 1 p. m. Aranha tells me that every member of the Cabinet, and especially the Minister of War²⁷, was very open and very decided in their pro-United States attitude at the Cabinet meeting. Góes Monteiro came to see him immediately thereafter and said that it was up to him (Góes) to show by action that he was more pro-United States than the others; he wants only the chance to do so he said.

²⁶ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

²⁷ Gen. Pedro A. Góes Monteiro.

Aranha says the Government will take energetic steps at once to control the internal situation. They realize that they will probably meet at least with sabotage in various parts of the country.

Aranha has been calling in all of the Latin American representatives here this afternoon and giving them pep talks. I heard him tell them that an attack on the United States was an attack on all the Americas; that Brazil has taken only the first steps and that there are any number of other steps to come; that he, Aranha, believes that it is worthwhile making the attempt to get unanimity of action in all the Americas for these steps: if unanimity is not achieved near unanimity probably will be. He talked very seriously and very competently to them setting the point of view that this is the fight of all the Americas. He asked them all to communicate these views to their home governments. . . .

He told them of the Department's proposal for a meeting of the Ministers of Foreign Affairs. He told them that he highly approved and would approve holding the meeting here in Rio as set out by the last Habana Conference. He said that he had suggested to Washington that the United States, as the nation which has suffered the aggression, do the inviting.

CAFFERY

CHILE

740.0011 Pacific War/727

Memorandum of Telephone Conversation, by the Assistant Chief of the Division of the American Republics (Bursley)

[WASHINGTON,] December 7, 1941.

The Chilean Ambassador²⁸ telephoned and said that he had an urgent message from his Government, part of which he proceeded to convey to me and the remainder of which he said he would like to deliver to the Under Secretary personally, tomorrow morning if possible. He said that the matters he desired to discuss with the Under Secretary included certain questions relating to continental defense and others which he would prefer not to discuss on the telephone.

The Chilean Ambassador stated that his Government had directed him to report to the Department of State that all measures have been taken to protect mines, industries and so forth belonging to the United States nationals and that the United States Government may be sure that all precautions will be taken to secure the production and furnishing of supplies of strategic materials. He said that as soon as his Government received today's news it met with the President and took these decisions.

²⁸ Rodolfo Michels.

The Chilean Ambassador stated further that the Chilean Government remains very friendly to the United States.

I thanked the Ambassador for his message and said I would immediately report to the Under Secretary's office the Ambassador's desire for an appointment tomorrow.

740.0011 Pacific War/755: Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 8, 1941—noon.

[Received 4:03 p. m.]

705. For the Secretary and the Under Secretary. Your circular telegram triple priority December 7 and my telegram No. 704, December 7, midnight.²⁹

Saw Rossetti³⁰ this morning. He promised a public statement some time this afternoon on Chile's position but authorized me to inform you that Chile is in absolute accord with the United States and will fulfill its agreements as to the common continental defense to the fullest extent. He says there are about 700 Japanese in Chile some in Santiago and Valparaiso and some in the north and that these are now being very closely watched. The plans for the protection of mines et cetera against sabotage had been worked out in detail before and have now been put into effect fully.

He goes to Mendoza this week to meet the Argentine Minister and sign the protocol for fortification of the Straits. The material now here was sent to that region while negotiations were still on and in anticipation of their success. He says in the conversations at Mendoza he proposes to try to wean Argentina away from her present semi-hostile neutrality and to persuade both Argentina and Peru to come out strongly with Chile and Brazil.

BOWERS

740.0011 Pacific War/947: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 11, 1941—7 p. m.

566. Your 728, December 10, 10 p. m.³¹ You may make the following statement to the Minister of Foreign Affairs

“The Government of the United States, as it has publicly stated, considers that the defense of each one of the American Republics is

²⁹ Latter not printed.

³⁰ Juan B. Rossetti, Chilean Minister for Foreign Affairs.

³¹ Not printed; it urged that assurance be given Chile of United States support, should Chile be attacked by Japan.

vital to the defense of all the others. Accordingly, the Government of the United States will immediately cooperate, to the best of its ability, in the defense of any American Republic against which aggression is committed from outside the Western Hemisphere."

HULL

740.0011 Pacific War/1409

The Chilean Ambassador (Michels) to the Secretary of State

[Translation]

No. 3322/337

WASHINGTON, December 11, 1941.

EXCELLENCY: I have the honor to make known to your Excellency that my Government has issued a Decree dated yesterday by which it declares that, for the effects of the application of the laws and principles governing neutrality, there shall not be considered belligerents the Government of the United States of America and the Governments of the other American republics which may declare or have declared themselves in a state of war with Japan.

The text of this Decree, signed by His Excellency the Vice President of the Republic and the Minister of Foreign Affairs follows:

CONSIDERING:

That the Governments of the United States and Japan are in the state of war;

That the Government of Chile has been notified of this fact by the aforesaid powers;

That the conflict originated in acts of unjustified aggression on the part of a non-American power against one of the nations of this hemisphere

That Resolution XV of Habana, signed by our Government disposes "that every attack by a non-American state against the integrity or the inviolability of the territory, against the sovereignty or political independence of an American state, shall be considered as an act of aggression against the states which signed this declaration";

That, in accordance with the terms of this Resolution, it lies with the Government of Chile to define its attitude with respect to the principles governing neutrality;

That the agreements signed at the Inter-American Conferences have consolidated among the governments of the continent the historical unity existing among them and which directs them to present a united front to any threat or attack whatever coming from abroad;

That solidarity toward each country of our continent which may be attacked by an extra-continental power is the fundamental and unalterable principle of the international policy of Chile,

DECREE:

The Government of Chile will not consider belligerent, for the effects of the application of the laws and principles governing neu-

trality, the Government of the United States of America and the governments of the other American nations which may have declared or which may declare a state of war because of this conflict.

Accept [etc.]

R. MICHELS

740.0011 Pacific War/1049: Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 13, 1941—4 p. m.

[Received 9:30 p. m.]

752. For the Secretary and Under Secretary. Rossetti gave me a confidential intimate description of situation confronting the Government and particularly himself growing out of position he has so far with the Japanese aggression. His greatest difficulty grows out of the actual and acute fear of many men in Congress and in armed forces (shared by the public) that the Chilean coast may be attacked and the unverified reports that Japanese airplane carriers and vessels are off the Chilean coast. His foes, and ours, attack as having provoked trouble with Japan when he knows Chile cannot alone meet an aggression and without any authentic assurances that we would come to her assistance if attacked. And men of good faith, he says, while agreeable to his policy are fearful and eager to be assured that we have promised assistance. In Congress he has prevailed after hard battles but the Nazis, Fascists, and Falangists and Japanese are now concentrating their fire on him and his pro-American policy. He is most nervous because men of good faith in army are worried lest Chile, attacked, would not have our support. This afternoon he is seeing ranking army officers one by one to reassure them.

In the event of an attack from Japanese, he feels that . . . he must have a signed protocol for secret use if necessary in which we agree to support Chile if attacked by any nation outside this hemisphere. He gives me the impression Welles has told Michels he is agreeable. He begs that this be given by Wednesday³² morning, to be signed here, and predated October 23, 1941. . . . Since we have had such an agreement for more than a year and a half³³ I can see no objection as to the dating.

Since this seems to me the critical hour here I strongly feel that we should agree to such protocol before Wednesday for secret use in Senate and with army, and I request authorization to sign, and instructions also to wording.

BOWERS

³² December 17.

³³ See correspondence on the defense of the Western Hemisphere, *Foreign Relations*, 1940, vol. v, pp. 1 ff.

740.0011 Pacific War/1049 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 15, 1941—6 p. m.

582. From the Under Secretary. Your 752, December 13, 4 p. m. Please inform Rossetti that I am most sympathetic with the situation which confronts him personally as well as his Government. However, both the President of the United States and this Government have given so many unequivocal assurances of an intention to come to the assistance of any nation of the Western Hemisphere which may be the victim of foreign aggression that it does not seem desirable to supplement those assurances with a secret protocol of the type described by Rossetti. The existence of such a protocol in the case of Chile alone would obviously be incompatible with the system of continental solidarity. Nor would it seem appropriate to sign such a protocol with Chile when no such special and individual agreements exist in the case of those nations which have unhesitatingly declared war upon the Axis powers.⁸⁴

However, you are authorized to deliver to Rossetti a signed communication reiterating the specific promise of military assistance to Chile which is contained in the record of the staff conversations between Chilean and United States officers, a copy of which is on file in your Embassy (see Tab B entitled "United States Promise of Assistance to Chile"). This communication may obviously be dated at any time which will suit Rossetti's convenience provided of course it is not prior to the date of the staff conversations.

Please assure Rossetti that the very great strategic importance of Chile from the point of view not only of hemispheric defense as a whole but also from that of the maintenance of United States defense industries is fully appreciated here. [Welles.]

HULL

740.0011 Pacific War/1505 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 31, 1941.

[Received December 31—11 p. m.]

863. The following is an excerpt in translation from a note dated December 30, 1941, received today from the Chilean Minister for Foreign Affairs acknowledging my note of December 9 informing him that a state of war exists between the United States and Japan.

⁸⁴ For tabulations of declarations of war by belligerent countries, see Department of State *Bulletin*, December 20, 1941, p. 551; *ibid.*, February 7, 1942, p. 143; and *ibid.*, November 20, 1943, p. 349.

"In reply I have the honor to inform Your Excellency that the Government of Chile condemns the aggression against the United States of America and, in accordance with its traditional policy of American solidarity, has formulated declarations of adherence to Your Excellency's country and has adopted resolutions adequate to make effective the association of all the nations of this hemisphere. Among other decisions already known to Your Excellency is the supreme decree which establishes that neither the United States nor the Government of the other American nations which have declared themselves or may declare themselves in a state of war due to this new conflict shall be considered as belligerents in regard to the application of the laws and principles which govern neutrality.

My Government takes pleasure in expressing to Your Excellency its firm intention to continue collaboration with the United States in all aspects of continental defense in accordance with the spirit of the inter-American pacts and in the desire to be helpful to the democratic cause which Your Excellency's Government so justly defends.

In expressing my fervent wish that peace may soon be reestablished in the American continent, I avail myself, et cetera."

BOWERS

COLOMBIA

740.0011 Pacific War/975 : Telegram

The Ambassador in Colombia (Braden) to the Secretary of State

Bogotá, December 8, 1941.

[Received December 9—1:57 a. m.]

623. With reference to my telephone conversation⁸⁵ this evening with Walmsley⁸⁶ the following is exact text of statement handed me this evening by President Santos and which may be published immediately.

Translation

"Official note from the President of the Republic.

"After a careful examination of the situation created for the Colombian nation by the state of war existing since yesterday between the United States of America and Japan and of the antecedents and characteristics of this most serious conflict, the Council of Ministers unanimously approved the following conclusions presented for its consideration by the President of the Republic and by the Minister of Foreign Affairs.

"The aggression effected yesterday by the armed forces of the Japanese Empire against the United States constitutes the case clearly provided for in Resolution No. XV approved at the Second Meeting of Foreign Ministers in Habana concerning mutual assistance and defensive cooperation of the American nations by which it is declared that any attack of a non-American State against the integrity or inviolability of the territory or against the sovereignty or politi-

⁸⁵ Memorandum of conversation not printed.

⁸⁶ Walter N. Walmsley, Jr., Assistant Chief of the Division of the American Republics.

cal independence of an American State will be considered as an act of aggression against the States signing this declaration. That declaration, signed by the Government of Colombia and approved by law No. 20 of 1941, creates obligations for Colombia to which the nation will be entirely faithful. The Government accordingly resolves to declare its diplomatic relations with the Japanese Empire broken and to reaffirm in a solemn and categorical manner its adherence to the policy of inter-American solidarity and of cooperation of the American Republics in defense of the continent, in the manner this policy was defined at the Pan American Conference at Lima and at the meetings of Foreign Ministers at Panama and Habana.⁸⁷ The Government has taken and will continue to take the necessary measures to cooperate in the defense of the continent and in particular, in order that its spontaneous and irrevocable resolution may be efficacious, to prevent by all means the possibility that the safety of the Panama Canal may be directly or indirectly menaced from Colombian territory or that acts contrary to whatever is entailed by the rules of American solidarity may be committed on Colombian territory.'

"Bogotá, December 8, 1941."

BRADEN

740.0011 Pacific War/1107

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] December 9, 1941.

The Ambassador of Colombia⁸⁸ called at his request and handed me a note, copy attached,⁸⁹ setting forth the strong spirit of cooperation on the part of Colombia in defense of this hemisphere. The Ambassador emphasized the keen interest his Government felt in taking this course and its earnest desire to continue to cooperate in every way contemplated by the Habana and other preceding conferences.

I thanked him very profusely and emphasized our deep appreciation of this fine spirit of alert cooperation.

C[ORDELL] H[ULL]

740.0011 Pacific War/1321

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] December 12, 1941.

The Colombian Ambassador called to see me this afternoon at my request. I told the Ambassador that I wanted to speak with him in a very unofficial and friendly way. I said the effect on public opinion in this country, as well as upon the Government, of the splendid cooperative action taken by his Government with regard to Japan had been, as he undoubtedly knew, overwhelmingly favorable and I didn't want anything to happen that would detract in the slightest degree from that happy result. I said that if the Government of Colombia

⁸⁷ Colombia broke off diplomatic relations with Japan on December 8, 1941.

⁸⁸ Gabriel Turbay.

⁸⁹ Not printed.

speedily took action to sever relations with Germany and Italy, the beneficial effect which I had mentioned would be greatly enhanced and it would also constitute a great relief to our War and Navy Departments.

The Ambassador said he was in the happy position of being able to give me an immediate reply. He said that he had just finished talking on the long distance telephone with President Santos and the latter had explained to him that the Congress was now completing the final stages of granting the executive full powers short of a declaration of war. He said the final vote would probably take place tomorrow. He said further that the only reason for the delay in breaking diplomatic relations with Germany and Italy was to give the Government a little more time to take precautionary measures with regard to the German and Italian colonies in Colombia before the public knew of the rupture of relations. He said he could give me almost definite assurances that the severance of relations would take place not later than Monday. I asked the Ambassador to express to the President my deep appreciation of this new proof of the unflinching cooperation and support of the Colombian Government.

S[UMNER] W[ELLES]

740.0011 European War 1939/17675: Telegram

The Ambassador in Colombia (Braden) to the Secretary of State

Bogotá, December 19, 1941.

[Received December 19—9:20 a. m.]

685. In radio speech last night President Santos said that never had a Colombian President had to speak to his fellow citizens at a time so grave and serious for all humanity, that Colombia has the moral obligation to assume a definite attitude, "The declarations of principle of Lima and Buenos Aires, the policy defined in these Pan American Conferences and in Habana and in Panama have not been the artificial work of politicians but the almost spontaneous result of what has been and is American and what it must be."

He followed with a statement that in the aggression of Japan, Germany and Italy against the United States "Colombia is neither indifferent nor neutral" and added that Colombia would fulfill its role in the policy of continental solidarity.

He pointed out that Colombia is not a military power and would not declare war on anyone unless it should be invaded but that it would have to work to the limit of its resources and "to fight on the side of our allies". He continued that he had absolute faith in the United States and that Colombia would follow the letter and the spirit of the norms which determine Pan American solidarity and which guar-

antee the liberty and sovereignty of the continent. President Santos said that there could be no doubt of Colombia's intention to cooperate in the defense of the continent and the security of the Canal. With reference to Germany and Italy he said "Las leyes de la lógica están exigiendo que si rompimos relaciones diplomáticas y consulares con el Japón por su agresión contra los Estados Unidos y al hacerlo no hicimos otra cosa que cumplir una disposición terminante de un acuerdo de la Habana ratificado por el parlamento Colombiano observamos actitud paralela con los gobiernos de Alemania e Italia que se solidarizaron con el Japón y lo acompañan en la guerra declarada al gobierno y pueblo de los Estados Unidos. En uno y otro caso nuestra actitud tiene que ser idéntica."⁴⁰ There then followed "Neustro rompimiento de relaciones diplomáticas y consulares con los gobiernos del eje crea una situación excepcionalmente delicada respecto de los nacionales de esas potencias que residen en Colombia"⁴¹ and the President continued that Colombia would have to take extremely severe measures to prevent all propaganda and all activities contrary to American solidarity adding that it would not cavilate in anything with reference to its international security and the strict fulfillment of its obligations.

BRADEN

740.0011 Pacific War/1399

The Colombian Ambassador (Turbay) to the Secretary of State

[Translation]

No. 3255

WASHINGTON, December 22, 1941.

MR. SECRETARY: Referring to my communications Nos. 3173 and 3249 dated the 9th and 20th instant,⁴² concerning the breaking off of diplomatic and consular relations between the Government of Colombia and the Governments of Japan, Germany and Italy, I have the honor to inform Your Excellency that by an executive decree issued in accordance with the principles of American solidarity the Government of Colombia has declared that it will not consider the United States of

⁴⁰ Translation: "The laws of logic require that if we break diplomatic relations with Japan because of her aggression against the United States and in doing so we do no more than fulfill a positive provision of the Habana Agreement ratified by the Colombian Parliament, we observe an attitude similar to that of the Governments of Germany and Italy which allied themselves with Japan and accompanied her into war declared against the Government and people of the United States. In any case our attitude must be identical."

⁴¹ Translation: "Our breach of diplomatic and consular relations with the Governments of the Axis creates a situation exceptionally delicate with respect to the nationals of those powers who reside in Colombia."

⁴² Neither printed; Colombia broke off diplomatic relations with Japan on December 8, 1941, and with Germany and Italy on December 19, 1941.

America or any other of the American Republics at present at war with countries of other continents as belligerents.

I take the opportunity [etc.]

GABRIEL TURBAY

COSTA RICA

740.0011 Pacific War/685: Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, December 7, 1941.

[Received December 8—2:15 a. m.]

369. The Minister for Foreign Affairs convoked the Diplomatic Corps at 9 p. m. today with the exception of the Italian Minister and German Chargé d'Affaires who were advised at their homes regarding the purpose of the meeting. Minister Echandi informed the Corps that an extraordinary session of Congress has been called for 7 a. m. tomorrow at which the Government will propose that a state of war be declared against Japan and against any other non-American power which may commit an act of aggression against the continent. Congress also will be requested to give permission for military or naval forces of the United States to enter Costa Rican territory for any purpose whatever connected with the defense of the continent. Congress will likewise be requested in accordance with article 73 of the Constitution to declare a state of emergency giving the Government extraordinary powers. Echandi said that other Central American Governments and Panamanian Government are being consulted with a view to reaching complete solidarity. Echandi said that steps taken indicate Government desire to give all possible assistance to the United States at this critical moment.

LANE

740.0011 Pacific War/766: Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, December 8, 1941—3 p. m.

[Received 8:34 p. m.]

378. Department's circular telegram December 8, 1 a. m. The Military Attaché has been informed by high Government officials that all radio sets owned by German nationals will be sequestered. The Legation has also advised Tropical Radio, All America Cables and Pan-American Airways that they must exert the utmost vigilance to prevent enemy parties from taking advantage of present facilities for interests inimical to the United States.

LANE

740.0011 Pacific War/812: Telegram

The Costa Rican Minister for Foreign Affairs (Echandi) to the Secretary of State

[Translation]

SAN JOSÉ, December 8, 1941—9: 47 p. m.

[Received December 9—8: 25 a. m.]

I have the honor to advise Your Excellency that because of unexpected and extraordinary aggression of which your country has been the object on the part of Japan while negotiations for peace were going on between the two nations and in accordance with the principles of solidarity and defense of this hemisphere declared in various agreements (between the) American Republics the Government of Costa Rica expresses its sympathy to the Government and people of the United States and has today at 11 o'clock declared the state of war between Costa Rica and Japan.

On this occasion I take pleasure [etc.]

ALBERTO ECHANDI

740.0011 Pacific War/967: Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, December 11, 1941—11 a. m.

[Received 1: 35 p. m.]

390. The President has just informed me that he is only awaiting official word from me that a state of war exists between the United States and Germany and Italy to issue a decree declaring war against Italy and Germany.⁴³ He said he will also take steps similar to those outlined in the Department's circular telegram of the 10th.⁴⁴

I would appreciate receiving Department's suggestion as to whether German and Italian diplomatic representatives should leave Costa Rica via the Canal Zone or otherwise. President said he would be guided by our views.

LANE

⁴³ President Rafael Calderón Guardia of Costa Rica on December 11, 1941, signed the decree declaring a state of war between Costa Rica and Germany and Italy.

⁴⁴ Not printed; this telegram outlined steps which had been taken to control alien enemies in the United States (740.00115 European War/1617a).

CUBA

740.0011 Pacific War/767 : Telegram

The Ambassador in Cuba (Messersmith) to the Secretary of State

HABANA, December 8, 1941—5 p. m.

[Received 8:39 p. m.]

195. Reference the Department's circular telegram of December 7, 10 p. m. I called on the Minister of State ^{44a} at noon today and conveyed to him the oral communication as instructed.

The Minister stated that the Cuban Government considered the dastardly and unprovoked attack made by the Japanese armed forces on our territory and people as an attack against Cuba and as against every one of the American states.

The Cuban Government considered the unprovoked attack on us by Japan as calling for an immediate declaration of war on the part of Cuba against Japan. While this was Cuba's obligation under the inter-American agreements, particularly that of Habana, the Government of Cuba because of its traditional relationships of close amity and cooperation with the United States would proceed with the declaration of war even if such conventions did not exist.

The President of Cuba was preparing today a message to the Congress and the declaration of war would be voted either today or tomorrow by the Congress.⁴⁵

The Minister went on to say that the Council of Ministers had also decided to send in the name of the Cuban Government to President Roosevelt a message pledging the full support of Cuba to the United States in every degree and manner in her power.

He further stated that the Council of Ministers had decided to send in the name of the Cuban Government a message to the Governments of the other American republics urging that immediate steps be taken by all to show the complete solidarity of the continent and complete cooperation with the United States.

It is likely that the actual declaration of war will not be voted by the Congress until tomorrow as the message and other documents are in preparation. The Minister informed me however that the passports of the Japanese Chargé and staff were already under preparation.

There is no question that the Government's action in calling for a declaration of war has the support of all parties and all sectors of the Cuban population.

MESSERSMITH

^{44a} José M. Cortina.

⁴⁵ Cuba declared war on Japan on December 9, 1941, and on Germany and Italy December 11, 1941.

740.0011 Pacific War/913 : Telegram

*The President of Cuba (Batista) to President Roosevelt*⁴⁶

[Translation]

HABANA, December 8, 1941.

In view of the contemptible aggression which the armed forces of Japan have made upon territory of the United States without prior notice or provocation, and while Your Excellency was seeking a pacific solution of the pending problems, I have the honor to express to you the most absolute compenetration [*solidarity*] of the people of Cuba with the people of the United States, as well as the purpose of the Cuban nation and Government of giving its absolute and decided cooperation to the United States in the existing war. We consider that this aggression made by a non-American State against the integrity and inviolability of the territory of an American State is the case foreseen in the Fifteenth Declaration of the Habana Conference by virtue of which all the nations of the Continent should also consider themselves the subject of aggression in the same way and they must react thereto in a united manner.

FULGENCIO BATISTA

DOMINICAN REPUBLIC

740.0011 Pacific War/701 : Telegram

The Minister in the Dominican Republic (Scotten) to the Secretary of State

CIUDAD TRUJILLO, December 7, 1941—10 p. m.

[Received 11:10 p. m.]

236. Department's circular telegram December 7th, 4 p. m. I spoke with the President of the Republic,⁴⁷ who had of course heard the news by radio. He asked me to assure you that the Dominican Republic is our ally both in word and deed and that we may count on its complete cooperation. He added that his Government will take any and all measures that we desire.

He added that the Dominican Congress has been convened for tonight at 9 p. m. to take appropriate decisions on cooperation with us.

SCOTTEN

⁴⁶ Copy transmitted to the Department by the Ambassador in Cuba in his despatch No. 3064, December 9, 1941; received December 10.

⁴⁷ Manuel de Jesús Troncoso de la Concha.

740.0011 Pacific War/834 : Telegram

*The President of the Dominican Republic (Troncoso de la Concha)
to President Roosevelt*

[Translation]

CIUDAD TRUJILLO, December 8, 1941.

THE PRESIDENT: I have the honor to declare to Your Excellency that the Government of the Dominican Republic, faithfully interpreting the unanimous national sentiment, has decided stand in this historic moment with the noble people of the United States of America and to that effect today declared war on the Japanese Empire, in order to contribute with all its resources to the defense of the ideals of freedom and democracy which, to the benefit of humanity, are so splendidly maintained by Your Excellency and the great American nation, and which are the same ideals as have shone in Dominican foreign policy during the last 10 years. With sentiments of the most distinguished consideration,

M. DE J. TRONCOSO DE LA CONCHA

740.0011 Pacific War/1151

*The Minister in the Dominican Republic (Scotten) to the Secretary
of State*

No. 810

CIUDAD TRUJILLO, December 10, 1941.

[Received December 15.]

SIR: I have the honor to inform the Department events have moved so swiftly in the past few days that it has seemed somewhat superfluous to attempt to write a detailed report by despatch of each event as it occurred. The Department was advised promptly of the circumstances attendant to the declaration of war against Japan by the Dominican Government. The Department may be interested to know, however, that this declaration of war was not merely a gesture on the part of the regime now in power, but that it really received the spontaneous approval of all sections of public opinion here, including the man on the street. The sentiment of Dominicans of all classes has been very sincerely one of indignation at the treacherous initial attack of the Japanese, and I have had innumerable expressions of sympathy and offers of cooperation from Dominicans of all classes.

The officials of the Government have showed a spirit, not only of willingness, but of desire to cooperate with our Government and with this Legation and to carry out any measures relating to defense which we may suggest. The Legation has furnished the proper authorities with a complete list of Germans and Italians on our suspect list, and

only this morning the Minister of Foreign Affairs ^{47a} assured me that, in view of the statements made by President Roosevelt in his speech ⁴⁸ last night, and in view of the reports published in the press that authorities in the United States have begun to round up suspected persons, not only of Japanese but of German and Italian nationality as well, the Dominican authorities will immediately, as a preventive measure, take into custody and place in concentration camps all of those persons referred to above. The Department will realize that there are large numbers of Jewish refugees here of German nationality, and that, up to the present at least, it does not seem to be necessary for this Government to take any measures against these unfortunate people, excepting to keep them under very close surveillance. As an additional measure of precaution, I called this morning a meeting of the representatives of the principal American firms here which, of course, included the representatives of the petroleum companies, the Electric Light Company, et cetera. I explained to this group that measures which might have seemed fantastic even a few days ago now constitute a pressing problem, and I referred especially to the necessity for defense against possible acts of sabotage. The problem of each company was discussed, and it was decided that the Military and Naval Attachés, accompanied by representatives of the oil companies and the Electric Light Company, would immediately see General Hector Trujillo, Chief of the General Staff, and arrange for adequate guards to be placed at the most vulnerable points belonging to those companies.

This Government has already instituted a censorship both of mail and telegrams. . . .

Respectfully yours,

R. M. SCOTTEN

ECUADOR

740.0011 Pacific War/690 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 7, 1941—6 p. m.

[Received 10 : 25 p. m.]

502. I saw President Arroyo at 6 this evening, who informed me that he could make no official statement before consulting his Cabinet but that speaking entirely personally "I am absolutely with you".

The President expressed concern for the safety of the Galápagos Islands.⁴⁹

LONG

^{47a} Arturo Despradel.

⁴⁸ For text, see Department of State *Bulletin*, December 13, 1941, p. 476.

⁴⁹ For correspondence regarding interest of the United States in the Galápagos Islands, see *Foreign Relations*, 1940, vol. v, pp. 850 ff.

740.0011 Pacific War/773: Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 8, 1941—1 p. m.

[Received 7: 07 p. m.]

506. Reference Department's circular telegram December 7, 10 p. m. I called on the Minister for Foreign Affairs⁵⁰ this morning who made the following statement to me:

Ecuador considers itself to have been likewise attacked. Ecuador is prepared to comply with all of its duties of solidarity in defense of the continent in accordance with all the dispositions of the various Pan American conferences. We want to know how we can cooperate. We are very anxious to conclude the agreement with the United States to prevent the danger that Japan may occupy or establish bases on the Galápagos. We are taking steps to exercise surveillance over all Japanese in the country. A telegram in the foregoing sense is being sent to Alfaro.⁵¹

LONG

740.0011 Pacific War/872: Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 8, 1941—8 p. m.

[Received December 9—3: 07 p. m.]

510. The President and Foreign Minister asked me to join them this afternoon and indicated they were exploring future possibilities. There are in Ecuador about 25 Japanese plus an active Chargé d'Affaires. If Ecuador should declare war or even take some lesser step that might involve the Japanese in a concentration camp it is their feeling that Japan might endeavor to seize the Galápagos as a base which Ecuador is unable to prevent. Thus with the intention of helping us by interning the Japanese Ecuador might actually furnish Japan a pretext to seize the Galápagos. Is there anything that I can suggest in this connection?

LONG

⁵⁰ Julio Tobar Donoso.

⁵¹ Colón Eloy Alfaro, Ecuadoran Ambassador in Washington. The rank of the Ecuadoran representative in the United States was raised to that of Ambassador in December 1941.

740.0011 Pacific War/1166

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] December 9, 1941.

The Ambassador of Ecuador called to see me this morning. The Ambassador stated by instruction of his Government that he was ordered to inform this Government:

(a) that the Government of Ecuador had received with the utmost indignation news of the treacherous attack by Japan upon the United States;

(b) that the Government of Ecuador intended, and would so publicly declare, to carry out all of its inter-American agreements and to cooperate in every possible way with the United States for the defense of the hemisphere; and

(c) that, believing that the situation of the Galápagos Islands was one which would expose them to danger of Japanese attack or occupation, the Government of Ecuador would immediately be willing to discuss with the United States an agreement for the protection of those islands by the United States.

I told the Ambassador that I hoped he would inform his Government immediately, in the name of the President and of the Government of the United States, of the deep appreciation with which this message had been received. With regard to his final point, I said that I would immediately consult the appropriate authorities of the United States and would let him know what suggestions they might have to offer.

S[UMNER] W[ELLES]

740.0011 Pacific War/872: Telegram

The Secretary of State to the Minister in Ecuador (Long)

WASHINGTON, December 10, 1941—5 p. m.

380. Your 510, December 8, 8 p. m. Please inform the President and the Foreign Minister that this Government has received assurances from Peru that it will fulfill all its obligations and commitments under the various inter-American agreements designed to implement hemispheric solidarity. Peru has already taken a number of specific steps to put this policy into practice and the Department has no reason to believe that Peru is in any way subject to Axis influence.

With reference to the proposed internment of a few Japanese nationals in Ecuador, the Department does not believe that such measures would affect in any way any plans the Japanese may have regarding the Galápagos Islands, and considers such internment highly important.

HULL

740.0011 Pacific War/985: Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 11, 1941—4 p. m.

[Received 8:44 p. m.]

526. Reference Department's circular telegram of December 8, 1 a. m. The Ecuadorean Government asserts willingness to comply, is doing what it can but asks for specific suggestions as to how we exercise preventive power, regulations governing telecommunications were published in the *Registro Oficial*, Nos. 478 and 479, of July 3 and 4, 1940. The Foreign Minister states that Ecuador will be pleased to modify or amend regulations if we suggest the changes.

Axis representatives will probably now use clandestine radio: see our No. 513.⁵²

LONG

740.0011 Pacific War/983: Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 11, 1941—7 p. m.

[Received December 12—1:21 a. m.]

528. The substance of Department's telegram 380, December 10, 5 p. m. seems to have satisfied the Foreign Minister with respect to Peru and Axis influence.

However, he states that notwithstanding the fact that public opinion is urging the Government to break off relations or declare war against Japan Ecuador would first like to know what aid we are prepared to give to patrol and defend the Galápagos Islands. He would appreciate receiving as quickly as possible a statement of our views regarding these islands.⁵³

I explained that there might be some question as to the advisability of any government establishing a base on the islands at this juncture.

The Minister said he at least hoped that Japan would not regard them as worth seizing. He asked whether we would rather arrange for their use or run the risk of having Japan take possession of them?

I offered to refer the matter to the Department.

LONG

⁵² Dated December 9, 1941, noon; not printed.

⁵³ See section under Ecuador entitled "Cooperation between the United States and Ecuador on certain military measures for hemisphere defense", vol. VII, pp. 258 ff.

EL SALVADOR

740.0011 Pacific War/748 : Telegram

The Chargé in El Salvador (Gade) to the Secretary of State

SAN SALVADOR, December 8, 1941—10 a. m.

[Received 2: 03 p. m.]

105. Department's circular telegram of December 7, 10 p. m. In reply to the oral communication, the Foreign Minister handed me a copy of a telegram which is being sent by President Martínez to President Roosevelt and which in translation reads as follows:

"I consider that the Japanese attack on Hawaii and Manila is absolutely unjustified and contrary to the principle of law and treatment due a country with which she was at peace. National Assembly is meeting today to study the unusual case and to declare war on aggressor nation."

A similar message is being forwarded from the Foreign Minister to the Secretary of State.⁵⁴

The National Assembly is expected to convene at noon today.

GADE

740.0011 Pacific War/771 : Telegram

The Chargé in El Salvador (Gade) to the Secretary of State

SAN SALVADOR, December 8, 1941.

[Received December 8—3: 46 p. m.]

107. At 1 p. m. today the National Legislative Assembly unanimously declared El Salvador in a state of war with Japan and authorized the Executive Power to take similar measures against any other non-American powers which may commit acts of aggression against American countries.

GADE

740.0011 Pacific War/1148

The Minister in El Salvador (Frazer) to the Secretary of State

No. 1892

SAN SALVADOR, December 12, 1941.

[Received December 15.]

SIR: In amplification of the Legation's despatch no. 1889 of December 10, 1941,⁵⁴ regarding the Salvadoran Government's declaration of war on Japan, I have the honor to report that the Salvadoran

⁵⁴ Not printed.

public is unquestionably whole heartedly in favor of its Government's action and that its sentiments are sincerely and warmly pro-United States.

In the afternoon of December 8, a crowd of about two thousand persons spontaneously gathered in front of the Legation and cheered the United States.

At five o'clock in the afternoon of December 9, a rally, organized by the Pro Patria Party (the Government Party) was held in the Parque Barrios in San Salvador. It has been variously estimated that there were from 15,000 to 25,000 participants, many of whom wore the Salvadoran colors, carried American and British flags, or "V" labels. President Martínez, Cabinet Ministers, high Pro Patria Party officials, and members of the Diplomatic Corps (including the staff of this Legation), gathered on the balcony of the National Palace which overlooks the Park. President Martínez, before a loud speaker and microphone, addressed the mass meeting first. He declared that El Salvador was at war, that the people must realize the real meaning of the word "war"—hate and the destruction of culture. He went on to say that El Salvador had declared war in defense of the most precious of treasures, Liberty. "For the defense of America" he said, "there will be no sacrifices, for the pleasure of doing what honor and dignity demand, is not a sacrifice. What do you prefer to be, slaves or free men?" To which the crowd shouted "free men!"

In my absence, First Lieutenant Moscoso, the Assistant Military Attaché to the Legation, who has perfect command of Spanish, then expressed the sincere appreciation of the United States for the attitude of friendship of the Salvadoran Government and people. He was followed by Dr. Lázaro Arévalo Vasconcellos, Attorney General of the Republic, who, as President of the Pro Patria Party, expressed his Party's full support of the Government. After several other short patriotic speeches, the demonstration was concluded with cheering for El Salvador, the United States, and Great Britain.

Similar mass meetings, organized by the Pro Patria Party, were held simultaneously in every other city and town of the Republic.

In the evening of December 11, several hundred students of the University of El Salvador held a demonstration in front of the Legation, at which I and the leaders of the students made short speeches of friendship for the United States, followed by the usual "vivas."

Since the news of war with Japan became known, the Legation has continued to receive a great number of telegrams from organizations and private persons, expressing their abhorrence of Japan's treacherous aggression and their deep sympathy for the United States.

Respectfully yours,

ROBERT FRAZER

740.0011 Pacific War/1417 : Telegram

The Minister in El Salvador (Frazer) to the Secretary of State

SAN SALVADOR [undated].

[Received December 26, 1941—2: 11 p. m.]

135. Department's circular telegram December 8, 1 a. m. This Government already enacted measures mentioned.

FRAZER

GUATEMALA

740.0011 Pacific War/723 : Telegram

The Chargé in Guatemala (Dwyre) to the Secretary of State

GUATEMALA, December 7, 1941—11 p. m.

[Received December 8—5: 43 a. m.]

217. Foreign Minister has been notified of contents of Department's circular telegram December 7, 4 p. m. He immediately informed President Ubico. The President sent word to me by Chief of Protocol to say that he personally had taken charge of the situation in Guatemala and had himself communicated with all ports and other strategic locations to insure against possibilities of sabotage. President also said that early tomorrow he would formulate with the Foreign Minister the message to be sent to President Roosevelt.

DWYRE

740.0011 Pacific War/843 : Telegram

The Guatemalan Minister for Foreign Affairs (Salazar) to the Secretary of State

[Translation]

GUATEMALA [undated].

[Received December 8, 1941—10: 33 p. m.]

I have the honor to advise Your Excellency that the Government of Guatemala having been informed of the unjustified acts of aggression of Japan and of the declaration of belligerency by the Congress of the United States of America has convoked for this very day the National Legislative Assembly to the end that meeting in extraordinary session it may consider that emergency situation and take on the steps which may be necessary in the present state of war, taking into consideration spiritual bonds and interests of every kind (which) unite Guatemala with the United States and especially those of a juridical order which have established the solidarity of the nations of this hemisphere in case of aggression on the part of an extra-continental power.

I greet Your Excellency [etc.]

CARLOS SALAZAR

740.0011 Pacific War/933 : Telegram

The Guatemalan Minister for Foreign Affairs (Salazar) to the Secretary of State

[Translation]

GUATEMALA [undated].

[Received December 9, 1941—4: 29 p. m.]

It gives me pleasure to advise Your Excellency that Legislative Assembly of this Republic last night declared a state of war between Guatemala and Japan, thus expressing solidarity of Guatemalan Government and people with the United States of America with which indestructible bonds of loyal friendship unite Guatemala.

I renew to Your Excellency [etc.]

CARLOS SALAZAR

740.0011 Pacific War/932 : Telegram

The Chargé in Guatemala (Dwyre) to the Secretary of State

GUATEMALA, December 10, 1941—noon.

[Received 6: 05 p. m.]

255. Substance of Department's circular telegram December 8, 1 a. m., was discussed fully with the Foreign Minister this morning and he assured me that the Guatemalan Government censors all communications excepting those transmitted by diplomatic pouch and that the vigilance now being maintained over communications facilities effectively prevents use detrimental to hemispheric security. He promised to issue necessary instructions to appropriate authorities calling attention to added importance of constant vigilance.

Dwyre

HAITI

740.0011 Pacific War/689 : Telegram

The Chargé in Haiti (Sparks) to the Secretary of State

PORT-AU-PRINCE, December 7, 1941—7 p. m.

[Received 10: 08 p. m.]

235. President Lescot has asked me to convey the following message to President Roosevelt which reads in translation.

"The Haitian Government and people profoundly indignant by the cowardly Japanese aggression of which American possessions have been the victims requests you to consider that the Republic of Haiti is completely united with the United States in this conjuncture.

If for military needs any part of Haitian territory should be necessary for American forces the Haitian Government offers once again to the Government of the United States its entire cooperation and will receive with enthusiasm any suggestion or request that it might wish to make."

SPARKS

740.0011 Pacific War/721: Telegram

The Chargé in Haiti (Sparks) to the Secretary of State

PORT-AU-PRINCE, December 7, 1941—8 p. m.

[Received 10:56 p. m.]

238. During my call on the President this evening he gave categorical instructions to the Chief of Police to take immediately additional steps to guard against possible attempts at sabotage and to apprehend any person showing any suspicious movement. While there are no Japanese in this country he gave these orders in recognition of the collaboration of Japan and Germany as Axis partners and the possibility of attempt at sabotage by Germans.

SPARKS

740.0011 Pacific War/734: Telegram

The Chargé in Haiti (Sparks) to the Secretary of State

PORT-AU-PRINCE, December 8, 1941—11 a. m.

[Received 12:09 p. m.]

241. President Lescot with the unanimous approval of the permanent Committee of National Assembly declared war on Japan.

A state of siege has been declared and warning has been served that any saboteur will be tried by court martial and executed.

SPARKS

740.0011 Pacific War/874: Telegram

The Chargé in Haiti (Sparks) to the Secretary of State

PORT-AU-PRINCE, December 9, 1941—4 p. m.

[Received 5:51 p. m.]

246. The following is translation of the pertinent part of a note received today from Minister for Foreign Affairs.⁵⁵

"In view of the unjustifiable aggression of the Japanese Government against American possessions in the Pacific the Republic of Haiti faithful to its policy of friendship and complete understanding with the United States of America and in accord with the Pan-American doctrines of continental solidarity has placed itself alongside of the sister republic in declaring war against the Japanese Empire.

I would be grateful to you to bring this fact to the knowledge of your Government and to request the Department of State to be good enough to communicate it to the Embassies of the United States at

⁵⁵ Charles Fombrun.

Vichy, London and Rome charged with Haitian interests and to communicate it also to Mr. Leon Robert Thebaud, our Minister to the Holy See.”

SPARKS

HONDURAS

740.0011 Pacific War/781 : Telegram

The Minister in Honduras (Erwin) to the Secretary of State

TEGUCIGALPA, December 8, 1941—5 p. m.

[Received 10 p. m.]

112. Department's confidential telegram of December 8, 1 a. m. The Foreign Office reports martial law declared throughout the republic today imposes strict censorship of all communications. This matter will be thoroughly followed up at any time that precautions here appear to be insufficient.

ERWIN

740.0011 Pacific War/845 : Telegram

The Honduran Minister for Foreign Affairs (Aguirre) to the Secretary of State

[Translation]

TEGUCIGALPA [undated].

[Received December 8, 1941—10:28 p. m.]

In accordance with the declarations sanctioned by the principle of American solidarity (and) security in the Conventions of Buenos Aires, of Lima, of Panama and of Habana by the Plenipotentiaries of the 21 American Republics and in view of the declaration of war made by Japan against your friendly Republic yesterday as well as the aggression and bombardments against Manila and Hawaii the Sovereign National Congress of Honduras in Decree No. 2 which it has issued today has declared war on Japan. I have the honor to advise your friendly Government of this through the worthy channel of Your Excellency in fulfillment of the stipulations of the Conventions referred to above.

SALVADOR AGUIRRE

740.0011 Pacific War/876 : Telegram

The Minister in Honduras (Erwin) to the Secretary of State

TEGUCIGALPA, December 9, 1941—4 p. m.

[Received 8:29 p. m.]

114. The Honduran Foreign Minister requests me to convey a message from the President of Honduras tendering to the United States

Government any facilities on the Atlantic coast as well as Fonseca Bay and also the use of these waters for naval bases or any other purposes.

The Honduran Government is communicating with the Governments of Nicaragua and El Salvador requesting them to collaborate in this matter.

Repeated to Managua, San Salvador and Naval Attaché.

ERWIN

MEXICO

740.0011 Pacific War/707: Telegram

The Charge in Mexico (McGurk) to the Secretary of State

MEXICO, December 7, 1941.

[Received December 8—4:38 a. m.]

720. The Under Secretary called me to this [*his?*] office tonight and handed me the copy of the following declaration issued by the Mexican Government to the press this evening. I had previously communicated to him the substance of the Department's circular of December 7, 4 p. m.: (in translation).

"Without a previous declaration of war and exactly at the same time as a Special Ambassador of Japan was in Washington carrying out diplomatic conversations with the high American authorities of the Department of State, the Japanese forces started bombarding Manila and the Hawaiian Islands attacking, in its possessions, the United States of America, and thus obligating themselves, before history, with all the responsibility of those events which are coming and which will, unfortunately, spread that conflagration which is afflicting humanity. The Government of Mexico, which, from the beginning of the present struggle, defined, with full energy, the spirit of positive solidarity which joins it to the other governments of the Continent, has learned with the deepest emotion of these deeds constituting a new violation of the fundamental principles of the rights of mankind committed by one of the powers grouped together with the totalitarian dictatorships against the democracies of the world. With that solemnity which is appropriate to the seriousness of the circumstances, Mexico declares that its conduct will inflexibly follow the postulates of justice and of honor which it has, until today, maintained without hesitation. In the premises, it believes it appropriate to recall that, in accordance with the resolutions adopted in the Meeting of Foreign Ministers at Habana, in 1940, one of these postulates is the fact that any aggression against any nation of this hemisphere will be considered by our country as an aggression against our own sovereignty. Another of these postulates was definitely established in the note that our Chancery addressed, on July 8 of this year to the Uruguayan Chancery⁵⁶ advising it of the decision of the Government of Mexico

⁵⁶ See translator's summary of replies of the American Republics to the Uruguayan proposal, p. 31.

that it would not consider as a belligerent any American Republic that, in defense of its rights finds itself in a state of war with countries of other continents. The foregoing principles are solidly rooted in the public conscience of Mexico and are the direct consequence of the position that we have assumed in condemning all aggressions and in invariably raising our voice against any act implying the intention of placing the contingencies of war ahead of the solutions of justice. Our past is the best guarantee of our future. Associated with the United States in the common defense of democracy and of the destiny of America, we will omit no effort, by all possible means, to establish our spirit of solidarity and of close friendship. In this hour, of the greatest importance, the Government is convinced that the opinion which it expresses is that of all Mexicans and it has the absolute certainty that, irrespective of the results, the nation will carry out unanimously a decision which is in full accord with the continuity of its traditions and with the dignity of our future. Mexico, December 7, 1941."

McGURK

740.0011 Pacific War/956

The Mexican Chargé (Quintanilla) to the Secretary of State

[Translation]

WASHINGTON, December 8, 1941.

MR. SECRETARY: On telephonic instructions from my Government, I have the special pleasure of forwarding to Your Excellency a copy of the statements which have just been made in Mexico City by the Secretary of Foreign Affairs, Ezequiel Padilla. In this document, the Government of Mexico announces the decision which it took today to break off diplomatic relations with the Japanese Empire.

As the statements of Secretary Padilla are themselves sufficiently explicit, it is unnecessary for me to expand upon the extraordinary importance which the enclosed document has, not only for Mexico and the United States, but also for the fate of Pan Americanism.

I take this opportunity [etc.]

LUIS QUINTANILLA

[Enclosure—Translation]

DECLARATIONS OF THE DEPARTMENT OF FOREIGN AFFAIRS OF MEXICO,
MADE DECEMBER 8, 1941

On repeated occasions the Government of Mexico has made public the purposes of unshakable solidarity which inspire the policy of our country's relation with the other nations of this continent. In conformity with this attitude, Mexico—during the Meeting of Foreign Ministers held in Habana in 1940—agreed to consider as an act of aggression against itself any attack by a non-American State which

should injure the fundamental rights of any of the Republics of this hemisphere.

The Government of Mexico, which has invariably advocated the absolute respect of international engagements voluntarily contracted, cannot fail to consider—as a natural consequence of the aforesaid declaration—that the maintenance of its diplomatic relations with Japan is incompatible with the act of aggression which the latter has committed against the United States of America.

Accordingly, instructions have been given to our Minister in Tokyo that, after notification of the foregoing to the authorities near which he is accredited, he shall proceed to close the Legation and the Consulate in Yokohama.

The above decision has been communicated to the Minister of Japan in this capital for similar effects, there having been cancelled, from this date, the provisional authorization granted to Consular Agents of the said Empire in the Mexican Republic.

740.0011 Pacific War/784 : Telegram

The Chargé in Mexico (McGurk) to the Secretary of State

MEXICO, December 8, 1941—4 p. m.

[Received 8: 52 p. m.]

730. Reference to my telegram No. 724, December 8, noon.⁵⁷ We learn from a thoroughly reliable source that the Foreign Office is discussing the possibility of recommending to the Mexican Congress the breaking of diplomatic relations with Japan and declaring Mexico a non-belligerent ally of the United States. The reason for this attitude of the Foreign Office is understood to be that a declaration of war by Mexico which has not the means to wage effective warfare would subject this country to ridicule and that a declaration of non-belligerent alliance with the United States would give the Mexican Government virtually the same power for national defense that it would have under a formal declaration of war. According to our informant all Japanese subjects will be interned and the Japanese Minister will be handed his passports.

Definite action will probably be taken tomorrow December 9.

McGURK

⁵⁷ Not printed.

740.0011 Pacific War/937: Telegram

The Mexican Minister for Foreign Affairs (Padilla) to the Secretary of State

[Translation]

MEXICO [undated].

[Received December 10, 1941—8:25 a. m.]

51921. In accordance with the spirit of the resolutions adopted at the Second Consultative Meeting held at Habana in July 1940, I have the honor to inform Your Excellency that the Government of Mexico yesterday broke its diplomatic and consular relations with Japan, in view of the aggression committed by the latter against the United States of America.

I renew [etc.]

EZEQUIEL PADILLA

NICARAGUA

740.0011 Pacific War/786: Telegram

The Minister in Nicaragua (Boal) to the Secretary of State

MANAGUA, December 8, 1941—noon.

[Received 6:23 p. m.]

260. In compliance with the Department's triple priority circular of December 7, 10 p. m., I have communicated with the Minister for Foreign Affairs ^{57a} who has given me the following statement:

"The Government of Nicaragua in accordance with the Pan American conventions and declarations and consistent with its invariable conduct of solidarity and common continental defense and the reiterated public statements of his Excellency, President Somoza, profoundly laments the treacherous aggression on the territory of the United States of America by the Japanese forces and in this hour of trial for the continent in which it considers Nicaragua equally attacked, lends itself without vacillations to its defense and to defensive cooperation with the United States of America. Consistent with this firm resolution, the Government of Nicaragua in conformity with its political constitution has convoked the National Congress submitting to it a proposed declaration of war on Japan and requesting the respective authorization in order that the Executive may declare war upon any other non-American power which commits acts of aggression against any other Republic of this hemisphere."

BOAL

^{57a} Manuel Cordero Reyes.

740.0011 Pacific War/842: Telegram

The Minister in Nicaragua (Boal) to the Secretary of State

MANAGUA, December 8, 1941—10 p. m.

[Received December 9—1:39 a. m.]

263. I saw the Minister of Foreign Affairs again this morning regarding anti-sabotage measures, restriction of communications facilities to totalitarians and Nicaragua's declaration of war.

Guards have been placed at principal fuel and oil depots, radio and telegraph stations and offices and both air ports in Managua. Guards will be placed in the grounds of the German club which adjoins the West India Oil Depot.

The President is taking steps to restrict the communications by telephone and telegraph of Axis representatives and nationals. It is understood that the German Legation telephone is now out of order. I understand that orders have been given to confine the two Japanese nationals in the country.

The President and Cabinet have been exploring ways and means of arriving immediately at a state of war with Japan and yet doing so in accordance with their constitutional procedure which requires 5 days of preliminary sessions before the Congress when reconvened can transact war emergency business; or in this case, declare war. I inquired of the Foreign Minister whether it would be within their constitutional rights for the President to declare the existence of a state of war as a fact "de hecho", leaving it to Congress as soon as possible to pass a formal declaration based on a formal message to them. This might enable the President to declare a complete state of emergency and "suspend guarantees" today.

The Foreign Minister felt that this would be feasible and subsequently I was called to the Casa Presidencial by the President and asked to sit in on the Cabinet meeting as a guest. The President and Cabinet then decided to issue a declaration in the foregoing sense today.

The President also asked me, in the presence of his Cabinet, to assure the United States that Nicaraguan territory is immediately available for the use of American armed forces; that Nicaragua can raise up to 10,000 men to cooperate in defense measures and that these can be used if necessary, in this hemisphere at least, outside of Nicaragua. He pointed out that the cost of maintaining a Nicaraguan soldier would not be over half the cost for an American soldier and instanced the possibility of their use at Panama.

He said that steps would be taken to make at least one of the two Nicaraguan patrol vessels at Corinto seaworthy for local patrol. He said that officers for these vessels would be needed and could only

be obtained from the United States. (See my telegram no. 258 of December 7th.⁵⁸) He said that if our Government so desired, he would place Colonel Mullins in charge of raising and training any Nicaraguan force so to be used.

He desired the unconditional support and solidarity of Nicaragua in this war to be expressed to you and to President Roosevelt.

The Nicaraguan Congress will probably meet tonight or tomorrow and some means will probably be found to hasten its formal action to follow up the declaration the President will make today.

I have the honor to recommend (1) an expression of thanks and appreciation which can be published from President Roosevelt to President Somoza (2) consideration and study with this Legation of the feasibility of the acceptance of his offer for the use of a very limited number of Nicaraguan troops to be incorporated into defense service. If some American force, air or naval, for instance, could be stationed in this country such troops might be assigned with them. (3) Expedite measures for arming the patrol vessels GN-1 and 2. (4) Sending a Military Attaché who can act as liaison officer with the War Department or [on?] military defense measures who can act from day to day.

Daily communication is being maintained between naval radio station Panama and the Guardia station at the Presidency.

Boal

740.0011 Pacific War/882 : Telegram

The Minister in Nicaragua (Boal) to the Secretary of State

MANAGUA, December 9, 1941—3 p. m.

[Received 7:05 p. m.]

264. President Somoza has issued the following manifesto published in today's newspapers:

"The world already knows of the violent and unjustified aggression on the part of Japan of which the United States of America has been the object. Before this latest attack Nicaragua cannot remain indifferent, linked as it is with the nation of the north and with each of the sister republics of the western hemisphere not only by ties of geographic solidarity and of sincere democratic ideology but also by various declarations and pan American conventions signed in Lima, Panama and Habana which in themselves create an immediate obligation. In consequence my Government finds itself under the necessity of considering Nicaragua in a state of war 'de hecho' with Japan pending the legal declaration of such status by the National Congress in accordance with the principles contained in our political constitution, and this attitude which I assume in solidarity with the nations of the American continent in addition to representing my own demo-

⁵⁸ Not printed.

cratic convictions faithfully interprets the sentiments of the Nicaraguan people who have already made them clear in public and spontaneous form. This hour of history is of transcendental importance to the destiny of our peoples and no passive attitude is possible; the gravity and speed with which events are developing demands of us constant vigilance and prompt action for the defense of human liberties and of Christian civilization endangered by the attacks of unrestrained forces and violence which threaten to destroy democracy, the foundation stone of the security and well being of all free men. Signed A. Somoza."

BOAL

740.0011 Pacific War/894 : Telegram

The Minister in Nicaragua (Boal) to the Secretary of State

MANAGUA, December 9, 1941.

[Received December 10—7:35 a. m.]

266. Nicaraguan Congress this evening unanimously approved declaration of war against Japan and authorized President Somoza to declare war against any other non-American nation attacking or declaring war against any American nation. This was followed by an enthusiastic spontaneous demonstration by a large crowd in front of the Legation. The diplomatic representatives of the American nations and of Great Britain gathered at the Legation to witness the demonstration and express thanks to the speakers.

BOAL

740.0011 Pacific War/1023 : Telegram

The Minister in Nicaragua (Boal) to the Secretary of State

MANAGUA, December 12, 1941—2 p. m.

[Received 7:59 p. m.]

287. Reference my telephone conversation with Duggan,⁸⁹ following is text of Nicaraguan telegram of today to the Government of El Salvador:

"My Government is most grateful to Your Excellency for the suggestion that jointly with the Republic of Honduras the waters of the Gulf of Fonseca be offered to the United States of America and to any other American nation for the common defense of the continent. In concurrence with the high aims which inspire Your Excellency's illustrious Government, I am pleased to bring to your attention the fact that my Government, in anticipation of such a practicable idea offered in advance to the Government of the United States of America, as from the night of the 7th of this month, the free use of its territory including inland and maritime waters."

BOAL

⁸⁹ No record of conversation found in Department files.

PANAMA

740.0011 Pacific War/788 : Telegram

The Ambassador in Panama (Wilson) to the Secretary of State

PANAMA [undated].

[Received December 8, 1941—1:45 p. m.]

483. The Government issued last night the following proclamation:

"The Government of the United States of America has officially informed the Government of Panama that the military forces of the Imperial Government of Japan today unexpectedly attacked the military bases of the United States situated in Hawaii and the Philippines this attack being in the form of an aerial bombardment which has caused an appreciable number of casualties and severe damage. Following this treacherous aggression carried out while a conference was being held in Washington in the midst of a spirit of peace between the Diplomatic Envoy of the Emperor of Japan and the Secretary of State of the United States the Government of Japan has declared that a state of war exists between that country and the United States of America. The Government at Washington at the same time has been forced to declare that there were immediately placed in operation all the war plans prepared by the United States to defend itself against the Government of Japan. The critical situation thus created places the Government of Panama in the face of a state of emergency the gravity of which is of indisputable proportions and in the face of such facts the Executive power after careful and detailed study of the situation and with the unanimous approval of the Cabinet Council has arrived at the conclusion that the present moment demands from the Panamanian Government a clear and defined declaration of Panama's position in the face of this conflict and for that reason the Government proceeds to issue this proclamation which has as its purpose to declare that the Republic of Panama mindful of its principles of a purely democratic nation true to its international obligations has taken and will take all the measures which this emergency requires in order to cooperate in the defense and the protection of the Panama Canal the security of which as well as of the Republic itself are imminently threatened by the aggressor forces of the Government of Japan. The Panama Canal is the center of American defense and is a project in which the Panamanian nation as well as the United States have a joint and vital interest as was clearly established in the general treaty of March 2, 1936⁹⁰ signed by the two countries article X of which states that in the event of a conflagration or of threat of aggression which would endanger the security of the Republic of Panama or the neutrality or security of the Panama Canal the two Governments will take such measures of prevention and defense as they may consider necessary for the protection of their common interests. Mindful of this situation the Government has proceeded to intern Japanese subjects residing on the Isthmus as a precautionary measure, to forbid the exportation of gold or other funds belonging to the Government of Japan

⁹⁰ General treaty of friendship and cooperation; for text, see Department of State Treaty Series No. 945, or 53 Stat. (pt. 3) 1807.

or to its subjects who are in Panama, to order censorship of radio and cable communications and to intensify the surveillance of all elements who constitute or may constitute a threat against the common interests of Panama and the United States in the security of the Panama Canal. The Government of Panama takes this occasion to reassert once more a universal declaration that Panama at all times shall be on the side of the democratic principles which form the constitutional and republican foundation of the Panamanian nation and that it shall continue to cooperate with the Government of the United States in a loyal honest decided and energetic manner in this grave emergency which threatens the vital interests of the two countries and which also threatens the principles so ardently defended by the American Republics as the indispensable foundation for their existence as sovereign and free nations."

WILSON

740.0011 Pacific War/791: Telegram

The Ambassador in Panama (Wilson) to the Secretary of State

PANAMA, December 8, 1941—3 p. m.

[Received 6:40 p. m.]

487. I called on the President of the Republic^{60a} this morning to thank him for the wholehearted cooperation being given by the Panamanian Government. He said that the Panamanian Government and people are one hundred percent with the United States come what may. He said that he had been talking this morning with members of the National Assembly who were unanimous in their intention to vote a state of war with Japan as soon as the United States took such action.

WILSON

740.0011 Pacific War/825: Telegram

The Ambassador in Panama (Wilson) to the Secretary of State

PANAMA [undated].

[Received December 9, 1941—11 a. m.]

489. Last night National Assembly voted resolution declaring state of war exists between Japan and Panama and Panama will use all means within power to cooperate most effectively defense national territory and Panama Canal.

As under constitution existence war to have full legal effects requires approval law after three readings a bill in this sense was also voted first reading.

WILSON

^{60a} Arnulfo Arias.

740.0011 Pacific War/966 : Telegram

The Ambassador in Panama (Wilson) to the Secretary of State

PANAMA [undated].

[Received December 11, 1941—2: 51 p. m.]

494. Reference my 489, December 9. Law declaring existence state of war and providing other measures relating to world conflict was voted yesterday afternoon in third debate by National Assembly signed by President and entered immediately into effect.

WILSON

PARAGUAY

740.0011 Pacific War/905 : Telegram

The Minister in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, December 9, 1941—10 p. m.

[Received December 10—12: 35 p. m.]

215. Department's circular of December 7, 10 p. m. Foreign Minister returned this evening at President's urgent summons and conferred with President. They authorized provisional reply that Paraguay will honor her obligations fully as an American Republic is victim of unjustified aggression. Formal action awaits decision of Council of State convoked for early tomorrow morning.

FROST

740.0011 Pacific War/938 : Telegram

The Minister in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, December 10, 1941—noon.

[Received 3: 11 p. m.]

218. Referring to Department's circular telegram December 7, 10 p. m. I have honor to transmit translation of note just received from Foreign Office expressing views of Paraguayan Government which is being given to press.

"The Paraguayan Government upon receiving the view of its Cabinet Council with regards to the state of war between the United States of America and Japan has adopted the following resolution:

(1) To reaffirm once more its intention of fulfilling with absolute fidelity its international undertakings with regard to the defense of the continent, solidarity, reciprocal assistance and defensive cooperation agreed upon in the conferences of Lima and Panama and in the meeting of Foreign Ministers at Havana.

(2) Faithful to its tradition in matters of international policy, to repudiate all unjustifiable aggression.

(3) In consequence, and in accordance with Resolution XV of the Havana meeting, to express the solidarity of the Paraguayan Government with the Government of the United States of America in the presence of the Japanese aggression.

(4) To support jointly with the American countries every attitude designed to render effective between them the policy of mutual assistance and reciprocal cooperation necessitated for continental defense.

(5) In conformity with the second paragraph of Resolution XV of Havana to adhere to the suggestion of Chilean Foreign Office to convoke the American countries to a consultative gathering.

FROST

740.0011 Pacific War/939 : Telegram

The Minister in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, December 10, 1941—6 p. m.

[Received 8:10 p. m.]

221. Department's circular telegram December 8, 1 a. m. The Government feels that use of communications facilities here in ways inimical to continental defense is unlikely from practical standpoint but will give matter earnest attention.

FROST

740.0011 Pacific War/1704

The Under Secretary of State (Welles) to President Roosevelt

WASHINGTON, December 17, 1941.

MY DEAR MR. PRESIDENT: I have been requested by the Minister of Paraguay to communicate to you the following message addressed to you by the President of Paraguay:

"His Excellency

The President of the United States
of North America,
Franklin D. Roosevelt

In presenting to Your Excellency the sincere support of the Government and people of Paraguay by reason of the Japanese aggression, I have the pleasure of informing Your Excellency that the solidarity of the Paraguayan Government with that of the United States during the actual emergency decreed by my Government under date of December 10, carries with it implicitly the determination of this Government that the United States of North America shall not be considered as a belligerent country.

I avail myself of this opportunity to renew to Your Excellency my most sincere good wishes and the cordial expression of my regard.

Higinio Morínigo M.
President of the Republic
of Paraguay."

I am enclosing a draft telegram ⁶¹ containing a message of acknowledgment which I believe you may wish to send directly to the President of Paraguay.

Believe me

Faithfully yours,

SUMNER WELLES

PERU

740.0011 Pacific War/695 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 7, 1941—7 p. m.

[Received 7:55 p. m.]

656. The Minister for Foreign Affairs ^{61a} just requested me to transmit the following message for President Roosevelt from President Prado:

President Prado desires to make known to the United States and especially to President Roosevelt that the attitude of Peru is one of entire cooperation in giving to the United States any assistance or support in measures which it may be necessary to take to meet the situation in the Pacific.

I hope that I may have a telegraphic acknowledgement of this message.

NORWEB

740.0011 Pacific War/702 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 7, 1941—8 p. m.

[Received 9:25 p. m.]

657. Department's circular telegram dated December 7, 4 p. m. I already had an interview with the Minister for Foreign Affairs at 5 p. m. Most of the Foreign Office officials were present. The Minister was expecting my call and the Peruvian Government is taking action to meet the new situation both from the point of view of Peruvian interests and of hemispheric solidarity. The attitude of the Foreign Minister was responsive and I believe that he will be prepared to give favorable consideration to any suggestions from our Government. I took occasion to point out that a solution of the boundary dispute with Ecuador would contribute to hemispheric solidarity.

The Peruvian Ministries of Government, War and Marine have issued instructions to put into effect the comprehensive plans against

⁶¹ Not printed.

^{61a} Alfredo Sol y Muro.

sabotage and subversive activities which had been prepared. The movements of Japanese in Peru will be controlled.

All American interests have been advised and are taking precautionary measures. Panagra will refuse to carry any German, Italian or Japanese passengers until further notice. The British Minister informs me that necessary steps have been taken to protect the central railway.

Peru realizes its special problem because of the large Japanese colony and in the event that it remains neutral the Foreign Minister informed me that neutrality measures would not apply to the United States. He said that he could see no need for continued Japanese consular representation in Peru. The breaking off of diplomatic relations with Japan probably depend somewhat upon the action taken by other American Governments. The Foreign Minister said that Peru will immediately reexamine all military questions on the basis of the staff conversations which have taken place between our two countries. The President and Cabinet are meeting this evening and the Minister for Foreign Affairs will see me again tomorrow. In the meantime he gave me the encouraging message contained in my telegram No. 656, December 7, 7 p. m.

NORWEB

740.0011 Pacific War/729 : Telegram

The First Vice President of Peru (Larco) to the Secretary of State

LIMA [undated].

[Received December 7, 1941—10 p. m.]

Beg you to accept assurance sincere sympathy, adherence and wishes for triumph of democracy, requesting you to transmit (same) to His Excellency the President. Cordially.

LARCO

740.0011 Pacific War/795 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 8, 1941—1 p. m.

[Received 4:50 p. m.]

662. Department's circular telegram dated December 7, 10 p. m. I saw the President and most members of the Cabinet this morning. The President is speaking at a luncheon being given him by members of Congress and his statements will form the basis of a reply regarding the position of Peru already indicated in the President's message⁶² to President Roosevelt.

⁶² See telegram No. 656, December 7, 7 p. m., from the Ambassador in Peru, p. 109.

The President expressed his appreciation of the reply to his acceptance message to President Roosevelt.

I was assured that appropriate measures have been put into effect by the Peruvian Government, including in shore patrol by air craft, off shore patrol by naval vessels, increased guards for airports and other vital areas and control and observation of all movements of Japanese inside and outside of the country. Full cooperation was promised with respect to communication facilities including radio, telegraph and mail.

The Peruvian Government is interested that an effort will be made to maintain existing United States shipping services.

Arrangements have been made for the active cooperation of the American colony according to plans already made.

NORWEB

740.0011 Pacific War/1050 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 12, 1941—11 a. m.
[Received December 13—11:52 a. m.]

685. Reference my telegram No. 656, December 7. The Cabinet in meeting yesterday resolved apropos the German and Italian declarations of war to reiterate Peru's declaration of solidarity with the United States and its decision to collaborate in common defense of the continent, fulfilling the contractual obligations of Inter-American agreements.

NORWEB

URUGUAY

740.0011 Pacific War/728 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 7, 1941.
[Received December 8—6:50 a. m.]

This afternoon before immense throng President Baldomir delivered scheduled address in which he discussed proposed constitutional reform and his determination to carry it out in accordance with national will in spite of Herrerista opposition. He reaffirms forcefully Uruguay's international stand and his determination to proceed with defense measures for country's own protection and continental defense in compliance with international obligations. He mentioned specifically purchase of needed armament and construction of airports which would be available to air forces of America.

With respect to coming elections he stressed need for a successor committed to same policies. In a passage interpolated at last minute he referred to Japanese attack on United States stating that it constituted a new and grave preoccupation for Uruguay, that foreseeing such a development the Government had studied the resulting situation consulting neighboring countries and seeking a continental solution, and that the path to follow was indicated by the Panama and Habana Conferences. Various references to United States were enthusiastically applauded. Informed United Press transmitting full text passages concerning foreign policy.

DAWSON

740.0011 Pacific War/747 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 8, 1941—10 a. m.

[Received 11:14 a. m.]

517. Department's circular telegram December 7, 6 a. m. [10 p. m.⁹] Oral communication regarding Japanese aggression has been communicated to Guani⁹⁸ who will give me the requested expression of the views of the Uruguayan Government somewhat later. For the time being he asked me to advise the Department that Uruguay considers itself already solidly with the United States and is consulting other governments with a view to making this solidarity effective throughout the continent. He mentioned in particular consultation with Brazil and Argentina.

DAWSON

740.0011 Pacific War/841 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 9, 1941.

[Received December 9—8:35 a. m.]

523. At 1 a. m. this morning Guani handed me the text of the following decree dated December 8th:

"In view of the communications received from the Embassy of the United States of America advising of the state of war existing between its country and the Japanese Empire from which it is evident that this state of war was commenced by the Japanese forces without prior declaration or notification of any kind contrary to the accepted

⁹⁸ Alberto Guani, Uruguayan Minister for Foreign Affairs.

principles of international law the precepts of which form the basis of the American community; considering that in view of the methods adopted by Japan this new state of war may be considered a veritable unprovoked aggression against an American country and that in accordance with the principles of continental solidarity this action perturbs the peace of the hemisphere and affects all the members of our community whereas, especially in the declaration of Lima signed December 24, 1938 there was proclaimed the common interest and the determination to make effective the solidarity of the American Republics in such cases and subsequently Resolution XV of the consultative meeting held at Habana in 1940 declared that any attack by a non-American state on the integrity, the territorial inviolability, the sovereignty or political independence of an American state, will be considered as an act of aggression against all the signatory states; considering furthermore that as respects the Government of the Republic the memorandum of the Uruguayan Foreign Office of June 21, last, suggested to all the nations of America that they expedite the means of giving a positive and concrete reality to these declarations of principles in concordance with the decree of June 18th, 1917 to the effect that no American country, finding itself in a state of war with nations of other continents in defense of its rights may be treated as a belligerent; the President of the Republic resolves and decrees:

Article 1, the Government of the Republic declares its solidarity with the Government of the United States of America of the present conflict and will not consider it as a belligerent for the purpose of compliance with certain rules relating to neutrality;

Article 2, consequently the provisions which conflict with the present decree especially those contained in the 13th Convention signed at The Hague October 18, 1907⁶⁴ shall not be applied;

Article 3, to be communicated, published and recorded.

Signed Baldomir

Alberto Guani.[""]

DAWSON

740.0011 Pacific War/888 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 9, 1941.

[Received December 9—10:42 p. m.]

529. This afternoon the Uruguayan Chamber of Deputies voted unanimously that a message of solidarity be sent the United States House of Representatives. The Chamber also voted unanimously a resolution supporting and approving the Uruguayan Government's decree of yesterday transmitted in my telegram 523.

DAWSON

⁶⁴ For text, see *Foreign Relations*, 1907, pt. 2, p. 1239.

740.0011 Pacific War/946 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 10, 1941.

[Received December 10—10:30 a. m.]

530. Last evening Uruguayan Senate voted to send brief telegram informing United States Senate that invoking principles of international justice and humanity Uruguayan Senate condemns aggression of which United States has been the object.

Herrerista Senators were in majority and message as approved was that proposed by them after more strongly worded Colorado text had been defeated.

DAWSON

740.0011 Pacific War/995 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 11, 1941—8 p. m.

[Received 9:40 p. m.]

537. Department's circular of December 8, 1 a. m. Contents of circular were brought immediately [to?] Guani's [attention?] and were discussed with him again today. He tells me that the Government is doing and will do everything possible to prevent hostile use of communications. At the same time I have been urging in strongest terms both Guani and the President to take increased precautionary measure at fuel depots, public utilities, et cetera, against sabotage. Psychology and public opinion in general are with us 100 percent. However, I cannot have unlimited confidence in the efficacy of their defense against possible Nazi sabotage or other hostile activities and I share the regret of the President and Guani expressed to me today that no American naval vessel is readily available.

DAWSON

VENEZUELA

740.0011 Pacific War/700 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, December 7, 1941—9 p. m.

[Received 11:06 p. m.]

280. Department's circular telegram December 7, 4 p. m. Minister for Foreign Affairs informed and he conveyed the message to President Medina who authorized him to tell me that the United States has the entire sympathy of Venezuela and that the Venezuelan Government is determined to fulfill all of its obligations in defense of the continent.

CORRIGAN

740.0011 Pacific War/805 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, December 8, 1941—noon.

[Received 3:35 p. m.]

281. Department's circular telegram December 3 [7], 10 p. m. Doctor Parra Perez Minister of Foreign Affairs stated to me this morning that the Venezuelan Government and people are together with (*Juntos*) the United States in the face of the situation produced by the treacherous action of the Japanese armed forces which he qualified as a clearcut act of aggression against the United States.

The President is meeting with the Cabinet at noon today and it is probable that a public statement of Venezuela's position may be announced thereafter.

CORRIGAN

740.0011 Pacific War/806 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, December 8, 1941,

[Received December 8—11:20 p. m.]

283. The Foreign Office has just handed me the following communiqué which will be published in tomorrow's papers:

(Translation) "In the face of latest developments which have aggravated the international situation, the President of the Republic at a meeting of the Cabinet has resolved to state that Venezuela, in accordance with inter-American agreements and animated by the spirit of continental solidarity which has historically guided its foreign policy, will discharge fully the obligations assumed with the United States of America and with all other nations of the continent.

The National Government is certain that the Venezuelan people will meet this situation with serenity and that their conduct will contribute to facilitate the solution of the arduous problems which today confront the Republic. Miraflores, December 8, 1941."

Foreign Office also informed me orally that President Medina will broadcast an address to the nation at 7 p. m. December 9th.

CORRIGAN

740.0011 Pacific War/895 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, December 9, 1941.

[Received December 10—3:13 a. m.]

287. President Medina in an eloquent discourse, his first public message to the Venezuelan people since the outbreak of hostilities,

condemned Japanese aggression and placed Venezuela squarely alongside the United States and the democracies. The speech was broadcast by all radio stations throughout the nation.

CORRIGAN

740.0011 Pacific War/1296 : Telegram

The President of Venezuela (Medina) to President Roosevelt

[Translation]

[CARACAS, December 9, 1941.]

At this moment I have just finished speaking to my fellow citizens, reaffirming the solidarity of the Government and the people of Venezuela with the United States and the other American countries, and declaring that in their defense there cooperate all the moral, intellectual and material forces of the nation whose destinies I have the honor to direct. Such is, in the grave emergency which faces the continent, the attitude of Venezuela, which thus satisfies its own sentiments and follows the undertakings of inter-American policy to which the Republic firmly adheres. Be assured, Excellency, of the sincerity of the wishes which I express for the greatness of the United States and of my warm friendship toward the person of its President.

ISAIAS MEDINA A.

740.0011 Pacific War/953 : Telegram

The Venezuelan Minister for Foreign Affairs (Parra-Perez) to the Secretary of State

[Translation]

CARACAS [undated].

[Received December 10, 1941—9:47 p. m.]

With the position of Venezuela, which is one of complete solidarity with the United States in the present serious moments, defined as it has been by the President of the Republic, allow me, Excellency, to call to mind our friendly and cordial collaboration in Buenos Aires and the identity of our Pan American sentiments in order to renew to you the assurance that my country, sincerely united in ideals of democracy and liberty to the American people, condemns the aggression of which it has been the object by Japan and will cooperate in the defense of the continent and of the principles common to all our countries.

Accept [etc.]

C. PARRA-PEREZ

740.0011 Pacific War/1436 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, December 27, 1941.

[Received December 27—4:22 p. m.]

335. Department's circular December 8, 1 a. m. President informed me this morning that Cabinet decided yesterday to suspend as from today all cable and radio communication between Venezuela and non-American countries.

CORRIGAN

THIRD MEETING OF THE FOREIGN MINISTERS OF THE
AMERICAN REPUBLICS, HELD AT RIO DE JANEIRO,
JANUARY 15-28, 1942: PRELIMINARIES

[BIBLIOGRAPHICAL NOTE: Tercera Reunión de los Ministros de Relaciones Exteriores de las Repúblicas Americanas, *Boletín de la Unión Panamericana*, volume LXXVI (1942), page 39; Unión Panamericana, Serie Sobre Congresos y Conferencias No. 36: *Informe Sobre la Tercera Reunión de Consulta de los Ministros de Relaciones Exteriores de las Repúblicas Americanas . . . Presentado al Consejo Directivo de la Unión Panamericana por el Director General* (Washington, 1942), page 25.]

710 Consultation 3/16a: Circular telegram

*The Secretary of State to Diplomatic Representatives in the
American Republics*

WASHINGTON, December 9, 1941—5 p. m.

You are requested to seek an immediate interview with the Foreign Minister of the country to which you are accredited and hand him the following *aide-mémoire*.

“The American Republics, at the Inter-American Conferences held in Buenos Aires, Lima, Panama, and Habana have jointly recognized that a threat to the peace, security or territorial integrity of any American Republic is of common concern to all.

In the Fifteenth Resolution adopted by the American Republics at the Consultative Meeting held in Habana in July of 1940,¹ and entitled ‘Reciprocal Assistance and Cooperation for the Defense of the Nations of the Americas’, the American Republics declared that ‘any attempt on the part of a non-American state against the integrity or inviolability of the territory, the sovereignty, or the political independence of an American state shall be considered as an act of aggression against the states which signed this declaration’, further declared that in case such acts of aggression are committed against an American state by a non-American nation ‘the nations signatory to the present declaration will consult among themselves in order to agree upon the measure it may be advisable to take.’

On December 7, 1941, without warning or notice, and during the course of negotiations entered into in good faith by the Government of the United States for the purpose of maintaining peace, territory

¹ For correspondence concerning this Meeting, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.; for Resolution XV, see Department of State *Bulletin*, August 24, 1940, p. 136.

of the United States was treacherously attacked by armed forces of the Japanese Empire.

The course of events since the outbreak of war in Europe in 1939 clearly demonstrates that the fate of every free and peace-loving nation of the world hinges upon the outcome of the present struggle against the ruthless efforts of certain Powers, including the Japanese Empire, to dominate the entire earth by the sword.

The wave of aggression has now broken upon the shores of the New World.

In this situation that menaces the peace, the security and the future independence of the Western Hemisphere, a consultation of the Ministers of Foreign Affairs appears to be of urgent desirability.

Therefore, in conformity with the procedure on consultation approved by the Second Meeting of Foreign Ministers at Habana, the Government of the United States is informing the Governing Board of the Pan American Union of its desire to hold a consultative meeting at the earliest possible moment.

In as much as the procedure agreed upon in Habana provides that the Governing Board of the Pan American Union shall not only transmit the request for consultation but, on the basis of the answer received, determine the date of the meeting, prepare the agenda, and adopt all other measures advisable for the preparation of the meeting, it is hoped that each country will appropriately instruct its diplomatic representatives in Washington in the premises.²

Please telegraph the Department promptly of the reply made to you.²

HULL

710 Consultations 3/39: Telegram

*The Chilean Minister for Foreign Affairs (Rossetti) to the Chairman of the Governing Board of the Pan American Union (Hull)*³

[Translation]⁴

SANTIAGO, December 9, 1941—8:05 p. m.

In the presence of the unjustified aggression of which the United States has been the victim on the part of a non-American power and having in mind the contents of Resolutions XV and XVII⁵ approved at the Havana Consultative Conference in the month of July, 1940, I beg Your Excellency to consult the rest of the American Governments concerning the urgent convocation of a Third Consultative Conference of the Ministers for Foreign Affairs of the American Republics to

²The replies printed herein are only those raising some special point of interest.

³Transmitted to the Department by the Director General of the Pan American Union (Rowe) on December 10, 1941.

⁴Translation supplied by the editors.

⁵Department of State *Bulletin*, August 24, 1940, pp. 136 and 137, respectively.

consider the situation produced and to adopt the most adequate means demanded by the solidarity of our peoples and by the defense of the hemisphere.

I take this opportunity to renew [etc.]

JUAN B. ROSSETTI

710 Consultations (3)/48

Memorandum by the Adviser on Political Relations (Duggan) to the Under Secretary of State (Welles)

[WASHINGTON,] December 10, 1941.

MR. WELLES: Dr. Rowe telephoned to state that he has received a telegram⁶ addressed to the Chairman of the Governing Board from the Chilean Government requesting that a consultative meeting be called.

I told Dr. Rowe that I expected our letter would be in his hands in the next hour or so and I suggested that he circulate to the members of the Governing Board the Chilean and United States requests at the same time.

Dr. Rowe agreed.

I think that the Secretary should state at his press conference that this Government has made such a request since there is intense newspaper speculation.

LAURENCE DUGGAN

710 Consultation 3/51

Memorandum by the Adviser on Political Relations (Duggan) to the Under Secretary of State (Welles)

[WASHINGTON,] December 10, 1941.

MR. WELLES: The Ambassador of Chile⁷ was not very clear to me exactly what he had on his mind. I gathered that he felt somewhat embarrassed by the message from Dr. Rossetti invoking a consultative meeting. . . .

In any case, I informed the Ambassador that the Minister's message was welcome, that it was my understanding that Dr. Rossetti's message as well as that of Mr. Hull would be circulated this afternoon by Dr. Rowe to the Chiefs of Mission in Washington from the other American Republics so that the Chiefs of Mission could transmit to their Governments both messages at the same time. The Ambassador went away apparently satisfied that Chile's initiative had not produced any embarrassment.

LAURENCE DUGGAN

⁶ *Supra.*

⁷ Rodolfo Michels.

710 Consultation 3/82

Press Release Issued by the Department of State, December 10, 1941

This morning the Secretary of State proposed to the Governing Board of the Pan American Union, through a communication addressed to Dr. Leo S. Rowe, Director General of the Pan American Union, that there be held at Rio de Janeiro in the first week of January, 1942, a Third Meeting of the Ministers of Foreign Affairs of the American Republics. This request was presented in accordance with Resolution XV adopted by the Second Meeting of the Ministers of Foreign Affairs of the American Republics in Habana which stated that, in case acts of aggression are committed, the American Republics will consult among themselves in order to agree upon the measures it may be advisable to take and pursuant to the procedure for invoking a consultation established by Resolution XVII adopted at the same meeting.

710 Consultation 3/21: Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 10, 1941—4 p. m.

[Received 5:21 p. m.]

676. Department's circular telegram December 9, 5 p. m. When I handed to the Minister of Foreign Affairs⁸ the *aide-mémoire* regarding the consultative meeting of Ministers for Foreign Affairs of the American Republics, he gave no indication of Peru's reply but stated that the Peruvian Ambassador at Washington would receive instructions.

The Minister was concerned that the question of the Peru-Ecuador boundary dispute⁹ would be raised at the meeting. My Argentine and Brazilian colleagues and I plan to see the Foreign Minister tomorrow to ask for his specific suggestions about what we might be able to do so that definitive agreement upon the settlement of the boundary dispute might be reached before the date of the consultative meeting.

NORWEB

⁸ Alfredo Solís y Muro.

⁹ For correspondence, see pp. 212 ff.

710 Consultation 3/36a : Circular telegram

*The Secretary of State to Diplomatic Missions in the
American Republics*

WASHINGTON, December 10, 1941—6 p. m.

Reference is made to the Department's circular telegram of December 9, 5 p. m. In accordance with Resolution XVII of the Second Meeting of Foreign Ministers held in Habana, I have this morning laid before the Governing Board of the Pan American Union, on behalf of this Government, a request that a consultative meeting be convened in the first week of January, 1942 in Rio de Janeiro. Pursuant to the procedure stipulated in Resolution XVII this request has been accompanied by a list of the questions with which this Government deems the consultative meeting should deal.

The Director General of the Pan American Union is today bringing this request, together with the list of questions, to the attention of each member of the Governing Board of the Pan American Union. It is, of course, assumed that each will immediately communicate with his own Government by telegraph. In order that you may be fully apprised of the agenda proposed by this Government, particularly in the event that a résumé of the proposed agenda is telegraphed in lieu of the full text, the suggested agenda is quoted hereafter:

"I

The Protection of the Western Hemisphere

Consideration of measures to be taken with a view to the preservation of the sovereignty and territorial integrity of the American Republics:

A. The examination of measures to curb alien activities carried on within the jurisdiction of any American Republic that tend to endanger the peace and security of any American Republic, including the exchange of information regarding the presence in the American Republics of undesirable aliens.

B. The consideration of measures which might be undertaken by the American Republics now for the development of certain common objectives and plans which would contribute to the reconstruction of world order.

II

Economic Solidarity

The consideration of measures to be taken with a view to fortifying the economic solidarity of the American Republics, including

1. The control of exports in order to conserve basic and strategic materials.

2. Arrangements for the increased production of strategic materials.
3. Arrangements for furnishing to each country the imports essential to the maintenance of its domestic economy.
4. The maintenance of adequate shipping facilities.
5. The control of alien financial and commercial activities prejudicial to the welfare of the American Republics."

HULL

710 Consultation 3/26 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 10, 1941—9 p. m.
[Received December 11—1:08 a. m.]

521. Department's circular telegram December 9, 5 p. m. Dr. Tobar¹⁰ was deeply moved when he contemplated attending a conference of Foreign Ministers and referred to the profound humiliation an Ecuadoran must feel should he be present before a withdrawal of Peruvian troops.

He continued: "An Asiatic nation attacks the United States and the hemisphere is with you.

Peru a former friend and neighbor attacked Ecuador and we bleed partially because of our wounded and dead partially because of the violation of a principle."

At length he said that "I agree in principle that a conference should be held and will instruct Alfaro¹¹ by cable."

LONG

710 Consultations 3/39 : Telegram

The Chairman of the Governing Board of the Pan American Union (Hull) to the Chilean Minister for Foreign Affairs (Rossetti)

WASHINGTON, December 10, 1941.

I wish to acknowledge Your Excellency's telegram of December 9, 1941 by which you request that, in view of the unjustified aggression of which the United States has been the victim by a non-American power, the American Republics be consulted with regard to the desirability of convoking as soon as possible a Third Meeting of the Ministers of Foreign Affairs of the American Republics. In accordance with the procedure established in Resolution XVII adopted at the consultative meeting at Habana, 1940, the request of the Govern-

¹⁰ Julio Tobar Donoso, Ecuadoran Minister for Foreign Affairs.

¹¹ Colón Eloy Alfaro, Ecuadoran Ambassador in the United States.

ment of Chile has today been brought to the attention of the Governments of the other American Republics with a request for their observations and suggestions.

Accept [etc.]

CORDELL HULL

710 Consultation 3/36: Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 11, 1941—3 p. m.

[Received 6:35 p. m.]

680. Reference Department's circular telegram dated December 10, 6 p. m. I informed the Minister for Foreign Affairs this morning about the declaration of war by Germany and Italy although I told him that as yet I had no instructions from my Government.

I notified the Minister of the agenda for the consultative meeting and he showed me a cable from Concha¹² saying that there is nothing in the agenda that would indicate that the boundary question would be discussed. He suggested that the three mediatory Governments indicate to Ecuador that this is not the time to complicate the international situation by raising the boundary question at the conference. I replied that it would be much better if the two parties would reach an agreement in principle immediately so that the three mediatory Governments could announce that it would not be necessary to consider the matter at the Rio de Janeiro meeting. The Minister told me that Viteri¹³ has announced his return to Quito because of the fact that the consultative meeting will solve all of Ecuador's problems. The Minister said he had heard nothing about a Bolivian move to organize a united front of South American countries prior to the consultative meeting. My own opinion is that Bolivia is acting in this sense and that the Peruvian Minister for Foreign Affairs knows something about it.

The Minister told me that he plans to attend the conference, that he will go by way of Santiago, Buenos Aires and Montevideo and that he will not travel by air.

In discussing the action of Colombia the Minister and I agreed that one evident result of the consultative meeting would be the breaking off of diplomatic relations with Japan and the other partners of the Axis by all of the American Republics. The Minister said that Peru would sever diplomatic relations with Japan immediately if it knew what to do with the large Japanese population. In reply to the Minister's question about what we were doing with

¹² Carlos Concha, special representative of Peru at Washington to deal with the boundary dispute between Ecuador and Peru.

¹³ Homero Viteri La Fronte, special representative of Ecuador at Washington to deal with the boundary dispute between Ecuador and Peru.

Japanese citizens I replied that they were being placed in concentration camps when such action is necessary. The Minister thought it would be impossible to intern Japanese in Peru because of the large numbers and of the expense involved. He asked if we had any suggestions to make and repeated that Peru is disposed to sever diplomatic relations with Japan.

It is suggested that the Department might authorize me to inform the Ministry for Foreign Affairs that the United States would welcome a severance of diplomatic relations with Japan by Peru and that our Government would be willing to lend financial assistance in connection with the necessary internment of Japanese citizens in Peru.

NORWEB

710 Consultations (3)/44

Memorandum by Mr. Louis J. Halle, Jr., of the Division of the American Republics

[WASHINGTON,] December 11, 1941, 5 p. m.

RESPONSE OF THE OTHER AMERICAN REPUBLICS TO THE UNITED STATES
PROPOSAL THAT A CONFERENCE OF FOREIGN MINISTERS BE CALLED

(2nd Bulletin)

Since this morning's bulletin,¹⁴ word has been received that Colombia will accept the proposal for a conference, thereby bringing the total number of republics which have expressed agreement to fifteen, as follows:

Argentina	El Salvador
Brazil	Guatemala
Chile	Haiti
Colombia	Honduras
Costa Rica	Panama
Dominican Republic	Uruguay
Ecuador	Paraguay
	Venezuela

(Chile is included above on the basis of her original proposal of such a conference.¹⁵)

Information has not yet been received from:

Bolivia
Cuba
Nicaragua

¹⁴ Not printed.

¹⁵ See telegram of December 9 from the Chilean Minister for Foreign Affairs to the Chairman of the Governing Board of the Pan American Union, p. 119.

Mexico's Foreign Minister ¹⁶ has given assurances of a prompt reply, but no reply has yet been made.

Peru's response must be classed as doubtful.

Since this morning, Costa Rica has offered the suggestion that the meeting be held in Washington. The same suggestion had already been offered by Guatemala and Venezuela. (Instructions are being sent to our representatives in these three countries informing them that, according to Resolution XVII of Habana, this next meeting must be held in Rio de Janeiro).

Other incidental comments were as follows: Ecuador—The Foreign Minister considers that his attendance at the proposed meeting while Ecuadoran soil is still occupied by Peruvian troops would be humiliating. Peru—The Foreign Minister is worried that the Ecuadoran boundary question may be raised at the meeting. Honduras, while agreeing to the meeting, does not believe it necessary at this time.

713.00/172 : Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, December 12, 1941—noon.

[Received 3:25 p. m.]

399. The Minister for Foreign Affairs ¹⁷ informed me this morning that last September the Guatemalan Minister for Foreign Affairs ¹⁸ had made a suggestion to other Central American States including Costa Rica that an exchange of views regarding a common foreign policy would be advisable. Until the present critical international situation developed, Costa Rica did not reply, the Government being of the opinion that the Guatemalan "insinuation" was made chiefly for internal political reasons. Echandi said that he has now replied in the affirmative suggesting furthermore that a meeting of Central American representatives should take place in Guatemala within the next 10 days. Guatemala has agreed. He said that the Government intends to name as its representative Luis Anderson.

The Costa Rican Government has also proposed that Panama also be invited in order that Panama may be identified with the Central American point of view rather than that of the "Bolivian" States.¹⁹

Echandi said that the real purpose of the meeting would be to insure a common foreign policy in sympathy with that of United States prior to the meeting at Rio de Janeiro.

Repeated to other Central American Missions and Panama.

LANE

¹⁶ Ezequiel Padilla.

¹⁷ Alberto Echandi.

¹⁸ Carlos Salazar.

¹⁹ Presumably the Bolivarian States of Colombia, Ecuador, Bolivia, and Peru.

710 Consultation 3/41a : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 12, 1941—midnight.

1349. The Chilean Ambassador here has inquired under instructions whether the United States would be ready to go to Santiago instead of Rio if "all the other American Republics agree". He says that Aranha ^{19a} has informed the Chilean Foreign Minister that Brazil is ready to forego its right to the seat of the meeting in favor of Chile.

Please clarify with Aranha and telegraph urgently.

HULL

710 Consultation 3/109½

Memorandum of Conversation, by the Under Secretary of State (Welles)

[WASHINGTON,] December 13, 1941.

The Ambassador of Ecuador called to see me this morning and left with me the attached telegram.²⁰ I told the Ambassador that I felt it would be disastrous if the Government of Ecuador were not represented at the Consultative Meeting in Rio de Janeiro and that the Governments of Argentina, Brazil and the United States were making every possible effort to find some way in which the boundary controversy could be canalized towards a pacific solution before the date of the Rio meeting. I said, however, that, if this should prove impossible in view of the world situation and the desperate crisis which confronts the Western Hemisphere, it seemed to me inconceivable that Ecuador should not be represented at the meeting.

S[UMNER] W[ELLES]

740.0011 Pacific War/1029 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 13, 1941—2 p. m.

1358. From the Under Secretary. Your 2019, December 12, 7 p. m.²¹ Please let Aranha know that the information contained in your telegram is encouraging and heartening and I am grateful for it. It would be very helpful for me at this stage to know what

^{19a} Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

²⁰ Not printed.

²¹ Not printed. The Ambassador reported information from the Brazilian Minister for Foreign Affairs as to Brazilian security measures and favorable reaction in Brazil with respect to the war situation.

Aranha's thoughts may be with regard to the possible "formulation of a common continental policy" at the consultative meeting in Rio. I should like to have the opportunity as quickly as possible of exchanging views with him since that has always been, as he realizes, most helpful to this Government in the past before the holding of any inter-American conference.

I should in particular like to know what his views may be as to the attitude which Chile and Argentina may take with regard to the severance of diplomatic relations with the Axis powers as a part of a continental security policy. [Welles.]

HULL

710 Consultation (3)/42: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 14, 1941—1 p. m.

1376. From the Under Secretary. Your 2033, December 13, 2 p. m.²² This Government considers it highly desirable that the meeting be held in Rio de Janeiro, both because of the fact that the psychology created by the holding of the meeting in that capital would be altogether favorable as well as because of the fact that in that event the presidency of the conference would be vested in the hands of Aranha.

Please express these views to Aranha and inform him that several of the Governments of the Central American Republics have expressed the desire that the conference be held either in Washington or in Panama. To all of these suggestions I have replied that in as much as the Consultative Meeting of Habana unanimously and officially determined that the next Consultative Meeting would be held in Rio de Janeiro, this Government considers it undesirable to raise the question of changing the agreement there reached.

I consider it expedient from every point of view that the meeting be held at Rio de Janeiro. [Welles.]

HULL

710 Consultation 3/49b: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 15, 1941—4 p. m.

1381. From the Under Secretary. Please tell Aranha that I have informed the Chilean Ambassador here of our strong opinion that the consultative meeting should be held in Rio, as was agreed in Habana in July 1940. The Ambassador, who will transmit this view

²² Not printed.

to Santiago, has expressed the belief that his Government will now desist from any efforts to change the location of the meeting. [Welles.]

HULL

710 Consultation (3)/46: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 15, 1941—6 p. m.

[Received December 15—5 p. m.]

2050. For the Under Secretary. Department's telegram No. 1376 December 14, 1 p. m. Aranha agrees.

CAFFERY

710 Consultation 3/63: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 17, 1941—4 p. m.

[Received 4:14 p. m.]

2094. For the Under Secretary. Aranha tells me that the Canadian Minister approached him in connection with the possibility of having Canada invited to the meeting of Foreign Ministers. Aranha referred him to Washington.

CAFFERY

710 Consultation 3/65: Telegram

The Ambassador in Colombia (Braden) to the Secretary of State

BOGOTÁ, December 18, 1941—1 a. m.

[Received 6:42 a. m.]

673. Minister of Foreign Relations²³ told me that speaking purely personally, since he had no right to speak officially, the Peruvian Ambassador had been continuously making representations that his country's differences with Ecuador should under no circumstances even be referred to in the forthcoming consultative conference. On the other hand Ecuador had been insisting although unofficially that there should be discussion.

The Minister felt it was best for this matter not to arise in the conference but that recognition of its existence should be taken outside of the conference as for instance by a statement to be made by the mediating nations giving assurances that the affair was well in hand.

²³ Luis López de Mesa.

I said I would transmit his thoughts to the Department and he earnestly requested that I do so.

BRADEN

710 Consultation (3)/12-1841

*The Under Secretary of State (Welles) to President Roosevelt*²⁴

WASHINGTON, December 18, 1941.

MY DEAR MR. PRESIDENT: I am sending you for your information a brief memorandum of a conversation I had this morning with the Chargé d'Affaires of Canada concerning the suggested participation of Canada in the consultative meeting to be held in Rio de Janeiro.

Believe me,

Faithfully yours,

SUMNER WELLES

[Enclosure]

Memorandum of Conversation, by the Under Secretary of State (Welles)

[WASHINGTON,] December 18, 1941.

The Canadian Chargé d'Affaires called to see me this morning.

Mr. Wrong stated that he had been talking this morning on the telephone to the Prime Minister, Mackenzie King, in connection with the statement I had made to Mr. Wrong yesterday on behalf of the President with regard to the suggestion that Canada might participate in the consultative meeting of the Foreign Ministers of the American Republics to be held in Rio de Janeiro on January 15 next.

Mr. Mackenzie King desired that the President be informed that he fully appreciated the validity of the reasons advanced by the President for believing that it was impossible, under existing inter-American agreements, for Canada to take part in that meeting; that he greatly appreciated the frankness and the friendly nature of the President's message; and that he felt sure that the President would understand that, in following up the initiative taken by the Dominican Government, the Canadian Government believed it was adopting a policy which would be helpful to the United States in its relations with the other American Republics.

I said to Mr. Wrong that I should be very glad to transmit this message to the President. I added that I felt sure it was unnecessary for me to say anything further with regard to the President's desire to cooperate in every way possible with Canada since the President

²⁴ Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

had made this policy so clear on repeated occasions during the past nine years. I said that in accordance with the President's wishes I would consult the representatives of the other American Republics, who would meet in Rio de Janeiro, in an unofficial way in order to find out what their feeling might be with regard to the participation by Canada in the regular Pan American conference which would take place in 1943.

Mr. Wrong then said that he felt it was desirable for this Government to know that, in the event the other American Republics desired Canada to participate in any inter-American conference as a member of the Pan American Union, the Government of Canada would be glad to do so.

I replied that I should be very glad to communicate this information to the President.

710 Consultation 3/65 : Telegram

The Secretary of State to the Ambassador in Colombia (Braden)

WASHINGTON, December 19, 1941—10 p. m.

518. Please express to the Foreign Minister the Department's sincere appreciation for the information he has furnished you regarding the attitude of the Peruvian and Ecuadoran representatives in Bogotá with regard to the boundary dispute and the forthcoming consultative meeting. Recent developments make it possible that some agreement at least in principle between the two countries may solve this problem prior to January 15, the date of the Rio meeting. If, however, no agreement is reached, the Department will bear very much in mind the helpful suggestions of Dr. López de Mesa.

HULL

710 Consultation (3)/100 : Telegram

The Minister in Haiti (White) to the Secretary of State

PORT AU PRINCE, December 23, 1941—noon.

[Received 1:46 p. m.]

276. The Dominican Government has approached the Haitian Government for support to a resolution to be proposed at Rio de Janeiro to the effect that those American Governments which have not yet declared war should do so jointly.

The Haitian Minister for Foreign Affairs would be grateful for the Department's reactions as soon as possible. He himself has no objections to supporting such a resolution.

WHITE

710 Consultation (3)/100: Telegram

The Secretary of State to the Minister in Haiti (White)

WASHINGTON, December 24, 1941—11 p. m.

330. Your 276, December 23, noon. This Government has informed the Dominican Government that it perceives no objection to the introduction by the Dominican Government on its own responsibility of a resolution calling for a declaration of war on the part of all the American Republics.

HULL

GENERAL POLICY OF THE UNITED STATES FOR THE NEGOTIATION OF BASIC AGREEMENTS RELATING TO LEND-LEASE TO OTHER AMERICAN REPUBLICS

740.0011 European War 1939/7695a : Circular telegram

The Secretary of State to Chiefs of Mission in the American Republics

WASHINGTON, January 16, 1941—9 p. m.

Personal. I am most anxious that the Governments of the American republics be fully informed regarding developments in the foreign policy of the United States, particularly as it affects the European situation. The different steps in that policy are, of course, designed to further those standards of international conduct which have been approved by the American republics at their gatherings in recent years.

Please, therefore, take an early opportunity of calling upon the Foreign Minister of the country to which you are accredited for the purpose of describing to him on my behalf the objectives and the details of the "Bill to Aid the Defense of the Democracies" as set forth in Radio Bulletin No. 8 of January 10, 1941. You should, at the same time, emphasize to the Foreign Minister the appraisal of the international situation contained in my statement of January 15 before the House Foreign Affairs Committee¹ (see Radio Bulletin No. 12 of January 15).

I shall be most interested in your report concerning this interview.

HULL

[Within the next 60 days the Department learned the official reactions of the 20 other American Republics. There was no unfavorable note among the replies. The Costa Rican Foreign Minister cited a Spanish proverb as follows: "When there is a fire in the neighborhood, it is not at all helpful to pour water on your own home, but it is better to run to the fire and throw water on your neighbor's house." (740.0011 European War, 1939/7745) The Ecuadoran Minister for Foreign Affairs suggested that from the Latin American viewpoint, the Lend-Lease Bill might be improved by adding to the title or in the text, the words "hemisphere or continental defense" to the phrase "for the

¹ Department of State *Bulletin*, January 18, 1941, p. 85.

defense of the United States". Boaz Long, the American Minister, explained that "for the defense of the United States and other purposes" was probably intended to cover the Minister's suggestion. (740.0011 European War, 1939/7776)]

810.20 Defense/764

*Memorandum by the Adviser on Political Relations (Duggan)*²

[WASHINGTON,] April 7, 1941.

The uncertainty regarding the procedure pertaining to the purchase of military and naval matériel³ by the other American Republics in the United States has been clarified in certain particulars to the extent that it is believed the following steps should be taken:

1. A letter should be sent to the President informing him that the State, War and Navy Departments have agreed that it is essential to the defense not only of the other American countries but also of the United States to furnish those countries during the next few years with military and naval matériel to the value of approximately \$400,000,000 and that economic and financial stringency will make it impossible for the other American Republics to pay, whether in raw materials, or cash, or through loans, for all of this matériel. The President, therefore, should be informed that it would obviously be unwise to initiate discussions with the other American Republics for the furnishing of this matériel unless the President were prepared to consider as vital to the defense of the United States, the defense of those countries, thereby enabling them to obtain all of the matériel considered essential to their defense by the Secretaries of War and of the Navy.

I have prepared a draft of such a letter⁴ which has the approval of Mr. Hackworth.⁵ With your approval, the draft of this letter will be discussed informally with the proper officers of the War and Navy Departments for their suggestion prior to submitting it to Mr. Stimson and Mr. Knox⁶ for signature.

2. If the President's reply is affirmative the next step would seem to be for each Chief of Mission of the American countries, in Washington, to be informed of the maximum amount of munitions and naval supplies that this Government can undertake to furnish during the next few years. It is suggested that this opportunity be taken to impress upon these diplomatic representatives that, at this juncture, the best defense of the western hemisphere is through the continued

² Addressed to the Assistant Secretary of State (Acheson) and the Under Secretary of State (Welles).

³ Besides the documentation herein printed on this phase of the Lend-Lease program, see also an official account in Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, in the series *United States Army in World War II: The Western Hemisphere* (Washington, Government Printing Office, 1960), pp. 217-224. (Hereinafter cited as *Framework of Hemisphere Defense*.)

⁴ Dated April 22, 1941; not printed.

⁵ Green H. Hackworth, Legal Adviser.

⁶ Henry L. Stimson, Secretary of War, and Frank Knox, Secretary of the Navy.

resistance of Great Britain; that this country is sending every piece of matériel that it can spare from its own Army and Navy to Great Britain⁷ for which reason it is unable to furnish more of the supplies requested by the several American countries.

The diplomatic representatives should be furnished a price list of the principal items which this Government is prepared to furnish with the request that they secure from their Governments a list of the items which their Governments desire within the total amount to be made available.

Although at first, I thought that it would be preferable for representatives of the War and Navy Departments to inform the several countries of the amount allocated to each, it seems to me now that it would be better if the Department undertook this task. It is believed that by painting the entire picture to the diplomatic representatives it will be easier to secure acquiescence in the figure allocated to each country than were this job to be handled by military and naval representatives.

3. The preparation of the list of items which each Government desires within the total amount set aside for each will probably result in many questions which can only properly be answered if each Government has some qualified military or naval officer in Washington to handle the discussion with representatives of the War and Navy Departments.

4. Once the tentative list of requests has been agreed upon by the representatives of the other American Governments in Washington and the representatives of the War and Navy Departments, this list should be submitted officially by the Government concerned through the usual diplomatic channels.

5. This list should be communicated by the State Department to the War and Navy Departments. There would be no need, as I see it, for the list to pass through Mr. Curtis' office. With this, I think Mr. Curtis is in agreement.

The question of payment will probably arise immediately. Although I have not yet definite recommendations regarding the procedure to be followed with regard to negotiating the mode of payment with each country, it seems to me that when the question is raised each country should be informed that this question will be negotiated as and when the definite list of matériel desired is agreed upon with our War and Navy Departments. In the meantime, study should be made to determine in the case of each country what payment can be made in raw materials, what payment can be made in cash, what payment can be made through credits advanced by the Export-Import Bank and what part will have to be covered under the Lend Lease Bill.

Although the determination of the mode of payment is important, it is not as immediately urgent as the determination of the items

⁷ For correspondence regarding negotiations for Lend-Lease Agreement between the United States and the United Kingdom, see vol. III, pp. 1 ff.

which each country desires and the placing of those orders. This, in turn, might be preceded by some indication of the President's views regarding the application of the Lend Lease Bill. If the President does not wish to use the Lend Lease Bill, it would appear necessary drastically to revise the proposed allocation.

LAURENCE DUGGAN

810.24/130

*Memorandum of Conversations, by the Under Secretary of State
(Welles)*

[WASHINGTON,] April 28, 1941.

I had interviews separately this morning and this afternoon with the Ambassadors of Argentina, Peru, Cuba and Colombia and with the Ministers of Bolivia and Uruguay. I communicated to them the allocation made for their respective governments from the amount determined by the War and Navy Departments and approved by the President to come under the terms of the Lend-Lease Bill as assistance to be granted by the Government of the United States to the other American Republics in building up their own defense resources. I explained to them that I was conveying this information to them in the greatest confidence and that I trusted that their respective governments would, in the shortest time possible, designate responsible military and naval officers to discuss the formulation of final arrangements with the appropriate authorities in the War and Navy Departments here.

I indicated to them the provisions of the Lend-Lease Act insofar as compensation was involved and I stressed the point that the proposed arrangements did not imply that all of the material desired by the respective countries was immediately available but that it would be forthcoming in accordance with the terms of the specific agreements to be entered into and always provided that our own requirements and the requirements of the nations actually resisting aggression made it possible.

All of the diplomatic representatives expressed their great appreciation and informed me that they would consult promptly with their governments and advise me of the replies received.

S[UMNER] W[ELLES]

810.20 Defense/811 : Circular telegram

*The Secretary of State to the Ambassador in Argentina (Armour)*⁸

WASHINGTON, May 20, 1941—10 p. m.

On April 23 [22] the Secretaries of State, War, and the Navy addressed a letter to the President⁹ inviting his attention to the conversations which have taken place between the military and naval officials of the United States and the other American republics, excepting Panama, during which the latter expressed the need of their countries for military equipment. These requests were carefully studied by the Joint Advisory Board, a committee composed of officers of the Army and Navy, and the Secretaries of War and the Navy concluded that it is essential to the defense of the United States that military and naval matériel to the value of approximately \$400,000,000 should be furnished to those republics during the next few years. Of this amount about \$80,000,000 would be supplied up to July 1, 1942, provided its use is not deemed by this Government to be more important elsewhere. This Department concurred in these recommendations. These materials would be procured through the War and Navy Departments in the same way that they effect their own procurement, the funds covering such procurement to come out of appropriations now available under Public Law 23, 77th Congress.¹⁰

It is probable that a part of the needed material can be purchased through cash payments by the American republics. A part would be paid by furnishing strategic raw materials. Some countries have indicated that they would like to obtain credits. Others, however, will be unable to afford the cost of the material which it is believed by their military authorities and ours they should obtain unless a part of these supplies are furnished them under the provisions of the Lease-Lend Act (Public Law 11).¹¹

The letter recommends that the Secretary of State be authorized to inform the governments of the American republics that the President considers their defense vital to the defense of the United States under the terms of Public Law 11 and that the Secretary of State may initiate negotiations with each of the American republics to prepare

⁸ Sent, *mutatis mutandis*, to the following Missions, with the figure in last line of penultimate paragraph changed in each instance as indicated, and with the phrase "for naval material only" omitted: Bolivia, \$8,000,000; Brazil, \$100,000,000; Chile, \$50,000,000; Colombia, \$16,200,000; Costa Rica, \$550,000; Cuba, \$3,700,000; Dominican Republic, \$1,600,000; Ecuador, \$17,000,000; El Salvador, \$1,550,000; Guatemala, \$3,000,000 (for Army alone); Haiti, \$1,100,000; Honduras, \$1,300,000; Nicaragua, \$1,300,000; Paraguay, \$11,000,000; Peru, \$29,000,000; Uruguay, \$17,000,000; Venezuela, \$20,000,000. Sent also, *mutatis mutandis*, to the Embassy in Mexico omitting the phrase in penultimate paragraph "the value of which . . ." to end of sentence.

⁹ Not printed.

¹⁰ 55 Stat. 53.

¹¹ 55 Stat. 31.

a program of munitions totaling \$400,000,000 to be supplied to these countries by the United States, in accordance with the plan elaborated by the Joint Advisory Board.

The President has expressed his approval of the views and recommendations expressed in this letter.

The Department has invited the attention of the chiefs of the missions representing the American republics to the information outlined above and has requested them to ask their governments to designate representatives with whom the officers of the War and Navy Departments could discuss their countries' requirements in accordance with the plan formulated by the Joint Advisory Board. The Department will conduct the negotiations concerning the method of payment for the material, the value of which, according to the aforementioned plan, would be \$21,000,000 for naval material only, in the case of Argentina.

The foregoing has been furnished to you for your confidential information in the event that it should be desirable for you to discuss any aspects of this matter with the officials of the country to which you are accredited.

HULL

810.20 Defense/1240a

*The Under Secretary of State (Welles) to President Roosevelt*¹²

WASHINGTON, June 28, 1941.

MY DEAR MR. PRESIDENT: Reference is made to a letter of April 22, 1941¹³ addressed to you by the Secretaries of State, War and the Navy, presenting for your approval a program of furnishing the other American republics with a total of \$400,000,000 of military and naval matériel. At that time you indicated your approval of this general program.

The Department has now worked out in consultation with the Division of Defense Aid Reports a draft text of basic agreement which would be entered into by this Government with each of the other American republics. The draft, which is enclosed, is worked out with special reference to Brazil, and it is suggested that the only changes to be incorporated in the drafts relating to the other American republics would be in respect of the financial details appropriate to each country. There is attached a table¹³ indicating the total amounts of matériel which it is proposed to transfer to each of the other American republics and the total amounts to be paid into the United States Treasury over a period of six years.

¹² This memorandum was returned to Mr. Welles with the notation: "SW OK FDR."

¹³ Not printed.

This program is based on deliveries of matériel over a period of at least three years and payments by the other American republics into the Treasury over a period of six years. In the event that the emergency is terminated before the expiration of these periods of delivery or payment, it would probably be necessary and desirable to reconsider the program and perhaps to modify the basic agreements in accordance with the new circumstances.

If you approve the draft basic agreement and suggested schedule of payments, the Department is prepared to begin immediate negotiations with the representatives of Brazil, Colombia and eventually all of the American republics.

Faithfully yours,

SUMNER WELLES

[Enclosure]

*Draft Text of Basic Agreement To Be Entered Into With Other American Republics*¹⁴

JUNE 26, 1941.

The President of the United States of America has determined, pursuant to the Act of the Congress of the United States of America of March 11, 1941,¹⁵ that the defense of each of the American republics is vital to the defense of all, and for that reason the United States of America proposes to provide certain defense articles and defense information to the United States of Brazil.

The United States of America and the United States of Brazil do here agree to the terms and conditions on which the obligations of the United States of Brazil to the United States of America which thereby arise shall be discharged.

ARTICLE I

The United States of America and the United States of Brazil declare that in conformity with the principles set forth in the Declaration of Lima they, together with all the other American republics, are united in the defense of the Americas, determined to secure for themselves and for each other the enjoyment of their own fortunes and their own talents. To that end the defense articles hereunder are to be delivered and in that cause they shall be used. With that purpose in their minds the United States of America and the United States of Brazil make this agreement.

ARTICLE II

Should circumstances arise in which the United States of America in its own defense or in the defense of the Americas shall require defense articles or defense information which the United States of

¹⁴ This draft was worked out with special reference to Brazil.

¹⁵ 55 Stat. 31.

Brazil is in a position to supply, the United States of Brazil will make such defense articles and defense information available to the United States of America on terms similar to those expressed in this agreement.

ARTICLE III

The United States of America proposes to transfer to the United States of Brazil under the terms of this Agreement armaments and munitions of war to a total value of about \$100,000,000. The United States of America proposes to begin deliveries immediately and to continue deliveries as expeditiously as practicable during the coming twelve months to an approximate total value of \$15,000,000 for use by the Brazilian Army and an approximate total value of \$1,000,000 for use by the Brazilian Navy.

The United States of America, however, reserves the right at any time to suspend, defer, or stop deliveries whenever in the opinion of the President of the United States of America further deliveries are not consistent with the needs of the national defense of the United States of America or the Western Hemisphere.

ARTICLE IV

Records shall be kept of all defense articles transferred under this agreement, and not less than every ninety days schedules of such defense articles shall be exchanged and reviewed.

Thereupon the United States of Brazil shall pay in dollars into the Treasury of the United States of America the total cost to the United States of America of the defense articles theretofore delivered less all payments theretofore made up to a total of \$35,000,000, and the United States of Brazil shall not be required to pay more than a total of \$15,000,000 before July 1, 1942, more than a total of \$19,000,000 before July 1, 1943, more than a total of \$23,000,000 before July 1, 1944, more than a total of \$27,000,000 before July 1, 1945, or more than a total of \$31,000,000 before July 1, 1946.

ARTICLE V

The United States of America and the United States of Brazil, recognizing that the measures herein provided for their common defense and united resistance to aggression are taken for the further purpose of laying the bases for a just and enduring peace, agree, since such measures cannot be effective or such a peace flourish under the burden of an excessive debt, that upon the payments above provided all fiscal obligations of the United States of Brazil hereunder shall be discharged; and for the same purpose they further agree, in conformity with the principles and program set forth in Resolution XXV on Economic and Financial Cooperation of the Second Meeting of the Ministers of Foreign Affairs of the American Republics

at Habana, July, 1940,¹⁶ to cooperate with each other and with other nations to negotiate fair and equitable commodity agreements with respect to the products of either of them and of other nations in which marketing problems exist, and to cooperate with each other and with other nations to relieve the distress and want caused by the war wherever, and as soon as, such relief will be succor to the oppressed and not aid to the aggressor.

ARTICLE VI

The United States of Brazil undertakes that it will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information transferred under this agreement, or permit its use by anyone not an officer, employee, or agent of the United States of Brazil.

ARTICLE VII

If, as a result of the transfer to the United States of Brazil of any defense article or defense information, it is necessary for the United States of Brazil to take any action or make any payment in order fully to protect, pursuant to the Act, any of the rights of any citizen of the United States of America who has patent rights in and to any such defense article or information, the United States of Brazil will do so, when so requested by the President of the United States of America.

ARTICLE VIII

The parties to this Agreement, and the officials signing this Agreement on their behalf, each for itself, himself, or themselves, represent and agree that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been performed and completed prior to the making of this Agreement have been performed and completed as required by, and in conformity with, respectively, the laws of the United States of America and the United States of Brazil.

Signed in Washington in duplicate this day of , 1941.

On Behalf of the United States of America

(Title)

On Behalf of the United States of Brazil

(Title)

¹⁶ For correspondence concerning this Meeting, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.; for Resolution XXV, see Department of State *Bulletin*, August 24, 1940, p. 141.

810.20 Defense/1247

*Memorandum by the Adviser on Political Relations (Duggan) to the
Under Secretary of State (Welles)*

[WASHINGTON,] July 3, 1941.

MR. WELLES: Mr. Collado¹⁷ has consulted with me with regard to the negotiation of the basic agreements covering the lease-lend material.

The negotiation of the twenty agreements will require considerable time and effort on the part of some one person, so that it seems desirable to decide now who will undertake this job. It is obviously desirable that the same person handle all the negotiations.

At a previous meeting in your office you requested Mr. Acheson to take charge of the preparation of the basic agreements. Would you like him to handle the matter, with proper assistance, or would you prefer that Mr. Bonsal¹⁸ or Mr. Collado undertake the negotiation?¹⁹

LAURENCE DUGGAN

810.20 Defense/1320

*Memorandum by the Assistant Chief of the Division of the American
Republics (Collado)*²⁰

[WASHINGTON,] July 21, 1941.

Negotiations of basic lend-lease agreements have been taken up by the Department with the following countries: Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, El Salvador, Uruguay and Venezuela.

We have not approached Argentina since the Argentine military list and total amount have not yet been determined. There has been no approach to Panama because it seems doubtful whether any armaments and munitions will be made available to Panama. We have not approached Ecuador and Peru, pending further instructions from the Under Secretary. With respect to Mexico, no amounts have been fixed by the War and Navy Departments, but it is understood that the Under Secretary has taken the matter up in the Liaison Committee

¹⁷ Emilio G. Collado, Assistant Chief of the Division of the American Republics.

¹⁸ Philip W. Bonsal, Acting Chief of the Division of the American Republics.

¹⁹ A penciled notation at the head of the page reads: "Mr. Acheson with Mr. Collado SW".

²⁰ Addressed to the Acting Chief of the Division of the American Republics (Bonsal), the Adviser on Political Relations (Duggan), the Liaison Officer with War and Navy Departments (Wilson), the Assistant Secretary of State (Acheson), and the Under Secretary of State (Welles).

and that such amounts will be rapidly set. When this time comes it will be possible to prepare a draft of basic agreement with Mexico for immediate submission to the Mexican Ambassador.

The Dominican Minister is already prepared to sign the text.

E[MILIO] G. C[OLLADO]

810.20 Defense/1375

Memorandum by the Adviser on Political Relations (Duggan) to the Under Secretary of State (Welles) ²¹

[WASHINGTON,] July 24, 1941.

MR. WELLES: I think that our policy with regard to the acquisition of arms in the United States by Peru and Ecuador under the provisions of the Lend-Lease Act should be as follows:

1) The initiation of discussions where they have not been begun, as in the case of Ecuador, and the continuance of discussions where they have been started, as in the case of Peru, with the proper authorities for the purpose of agreeing upon the lists of matériel desired by both countries.

2) Delay in initiating discussions with both countries with regard to the basic lend-lease agreement. This is a little embarrassing, since both countries are aware of the fact that the sample agreement has been given to most other countries. It is not believed that this Government would wish to sign the basic agreement with either country until some arrangement has been entered into which will make improbable the recurrence of hostilities.²²

LAURENCE DUGGAN

810.20 Defense/1596

Memorandum by the Assistant Chief of the Division of the American Republics (Collado) ²³

[WASHINGTON,] October 1, 1941.

USE OF LEND-LEASE PROCEDURE FOR GENERAL PURPOSES

1. There have arisen recently a number of instances in which representatives of the other American republics have inquired regarding or

²¹ Notation on original: "I agree—SW".

²² For correspondence regarding the boundary dispute between Ecuador and Peru, see pp. 212 ff.

²³ Addressed to the Adviser on Political Relations (Duggan), the Under Secretary of State (Welles), and the Secretary of State. According to their notations on the original of this memorandum, the three officers agreed with these views of Mr. Collado.

have suggested the use of the lend-lease program for general purposes. Among these may be included :

a) Request of the Cuban Government for inclusion in the basic lend-lease program of over \$2,000,000 for fire fighting equipment and for equipment for detecting illegal radio stations.

b) Request of the Bolivian Minister that the lend-lease amount for Bolivia be increased by \$1,000,000 to provide for locomotives for the Bolivian railways or, alternatively, the allocation of \$1,000,000 of the existing lend-lease amount for this purpose.

c) The Venezuelan Ambassador has suggested to Dr. Berle that rather than get military materials Venezuela would like to embark upon a program of highway construction, dredging of the mouth of the Orinoco River, construction of aviation fields and canalization of the upper regions of the Orinoco River and tributaries.

d) The Colombian and Paraguayan Governments have indicated a desire to devote part of the lend-lease funds, or additional funds, to construction of military hospitals, barracks, military roads, and other items.

2. The scope of the Act of March 11, 1941, with respect to such projects has already been partly delimited by counsel. It has been definitively ruled that no funds may be expended under lend-lease for local labor or other costs. The Lend-Lease Act applies only to the procuring of actual "defense articles" or "defense information" within the United States and its delivery, if desired, to any point either within the United States or even as far as the foreign country. The Lend-Lease Act includes the provision of services within the United States such as the repair of a vessel in a navy yard.

3. As defined in the Act "defense article" means military or naval matériel or "any agricultural, industrial or other commodity or article for defense". Foodstuffs are being transferred to England "for defense" as the maintenance of the population is obviously necessary for the defense of Britain. A railroad is being constructed from Burma to China "for defense" as this railway will serve as the means for getting defense matériel to China. Although in the most general and indirect sense it could be said that any project which will contribute to the maintenance or development of the economies of the nations of the Western Hemisphere will contribute to the defense of the hemisphere, it would obviously be a thin extension of the basic purposes of the Act to try to cover within its scope such matters as general highways and railway development in the other American republics.

4. In addition to the legal limitations of the Act, which do as has been mentioned above include general agricultural, industrial or other articles so long as they are for defense purposes, we must look into the intention of Congress and of the Administration as developed in hear-

ings and debates. The original hearings and debate of the Lend-Lease Act and the original appropriations included no mention whatsoever of the other American republics. Indeed in the hearings on the current appropriation bill, the Defense Aid witnesses made much of the fact that no funds had actually been devoted up to now to the other American republics. At the same time a part of the appropriation is now being requested for the other American republics with direct reference to the specific proposal of the War and Navy Departments for a \$400,000,000 program of transferring naval and military matériel. The history of this \$400,000,000 program leaves no doubt that it was intended to include only actual military equipment and no material which would be necessary for a general economic development program. It thus would presumably be necessary to go to Congress to receive authorization for including under the Lend-Lease Act any such general economic program.

5. Moreover, the authorization of the President for the Department to negotiate with the other American republics was with specific reference to the direct military program.

6. In addition to this legal background which makes it extremely unlikely that it would be proper to attempt to stretch the lend-lease program to cover general economic development works, there remains the broad and basic question of whether it is desirable to mix at this time this type of procedure with the general program moving forward with the Export-Import Bank. Obviously if lend-lease terms of only partial repayment are to be extended to general development works, no nations will wish to continue with Export-Import Bank credits. The possible difficulties of this extension are obvious.

This position is taken in spite of the fact that as an economist rather than as a political strategist or military technician I would personally be much happier to see the other American republics incur financial obligations in connection with projects of economic development. I believe, however, that until such time as the Department finds it desirable to obtain specific appropriations of Congress for particular development projects of a special mutual interest to the United States and the other American republics, such as the present bill which would grant \$20,000,000 towards the completion of the Inter-American Highway in Central America, we should go forward with development projects financed through the Export-Import Bank and, as soon as we are able to establish it, the Inter-American Bank.

E[MILIO] G. C[OLLADO]

810.20 Defense/1805

Memorandum by Mr. Emilio G. Collado, Special Assistant to the Under Secretary of State (Welles) ²⁴

[WASHINGTON,] December 12, 1941.

LEND-LEASE PROGRAM WITH THE OTHER AMERICAN REPUBLICS ²⁵

After conferences with Mr. Duggan and Mr. Acheson regarding the changed circumstances surrounding the continuance of the program of lend-lease cooperation with the other American republics, the following program is suggested:

1. With respect to the seven countries that have already signed agreements,—Bolivia, Brazil, Cuba, Dominican Republic, Haiti, Nicaragua and Paraguay,²⁶—nothing needs to be done. Article I of the standard agreement²⁷ does not firmly commit us to deliveries of material during the first year, and in any event provides a full reservation at the discretion of the President.

2. Pending agreements—It is suggested in general that no pressure be placed by the Department on other governments to sign agreements, and that as governments approach the Department to conclude negotiations already well in progress, it be indicated that the first year deliveries cannot at the moment be accurately forecast. It is suggested that new agreements omit the sentence in Article I which relates to the amount of deliveries which it is contemplated will be made in the first year. It is also suggested that we adopt for all future agreements the new Article II proposed for Venezuela and Argentina. This Article II, which is much less cumbersome than the former, provides for a simple proportional payment for such goods as are delivered. There is attached a copy of the proposed new form.²⁷

If you approve this new procedure, we can go ahead on this new basis with El Salvador which is about ready to sign a lend-lease agreement.

EMILIO G. COLLADO

²⁴ Addressed to the Adviser on Political Relations (Duggan) and the Under Secretary of State (Welles), both of whom indicated on the original of this memorandum their agreement with the suggested procedure.

²⁵ The Lend-Lease agreements signed by the United States with other American Republics differed from the conventional "master" agreements in that a specific repayment responsibility for defense aid furnished was accepted by each beneficiary nation. (*Message from the President of the United States transmitting the Thirty-Third Report to Congress on Lend-Lease Operations, for the period ending December 31, 1951*, p. 41, footnote 1.)

²⁶ For texts of agreements with Bolivia and Brazil, see *post*, pp. 428 and 534, respectively; with Cuba, Dominican Republic, Haiti, Nicaragua, and Paraguay, see vol. VII, pp. 122, 253, 319, 410, and 480, respectively.

²⁷ Not printed.

810.20 Defense/1862a

The Under Secretary of State (Welles) to President Roosevelt

WASHINGTON, December 24, 1941.

MY DEAR MR. PRESIDENT: This Government has signed under the authority you gave on June 28, 1941 Lend-Lease Agreements with seven of the other American republics. Signature of several other Lend-Lease Agreements is imminent.

Under the Lend-Lease program for the other American republics recommended to you on April 22, 1941 by the Secretaries of State, War and Navy²⁸ and approved by you, the United States offered to deliver \$400,000,000 of war matériel to those republics over several years. It was contemplated that \$101,000,000 worth should be delivered in the first year of the Agreements.

While the acquisition by the other American countries of war matériel in the United States had already suffered setbacks and delays owing to the precedence necessarily accorded to urgent programs for supplying the nations actively resisting aggression, the difficulties of supply, now that the United States is a belligerent, are of course greatly increased. In fact, this Department has just received from the War Plans Division of the General Staff a letter reading in part as follows:

“The great demands for military equipment resulting from Japan’s attacks have made it practically impossible to find anything for immediate or even reasonably prompt delivery to Latin American Republics.”

Although fully recognizing that the needs of our armed forces are paramount under present circumstances, I nevertheless believe that a failure by the United States to agree to furnish limited quantities of military matériel to the other American republics, particularly those which are most vulnerable to attack, would have an exceedingly unfortunate effect and would be seized upon by our enemies to create an atmosphere of doubt and fear which would hardly be conducive to the success of the meeting of Foreign Ministers at Rio de Janeiro in January or to the continuing cooperation of the other American republics with this Government in our war effort. I need not emphasize the undesirability from our point of view of any unfavorable modification in the highly satisfactory position adopted by those Republics following the crisis with which the treacherous Japanese attack has confronted the United States.

Joint letter of April 22 not printed.

I believe that in reaching a decision in this matter you will wish to take into consideration the international political implications of the problem as I have endeavored to state them. While I realize that these must be balanced against the requirements of the military situation, I feel strongly that the amounts of matériel necessary, even though reduced from the original schedules, to maintain the confidence of the American countries in the United States ability to deliver are very modest compared with our total war output.

It is my opinion that your decision would be extremely helpful to the committee I understand you have formed of General Marshall, Admiral Stark and Mr. Hopkins for passing on war matériel allocations and diversions.

Faithfully yours,

SUMNER WELLES

IMPOSITION OF CONTROLS OVER EXPORTS OF STRATEGIC MATERIALS FROM THE UNITED STATES TO OTHER AMERICAN REPUBLICS; CONDITIONING OF LICENSES TO SUPPLEMENTARY CONTROLS BY IMPORTING COUNTRIES

811.20 (D) Regulations/883a

The Secretary of State to Chiefs of Mission in the American Republics

WASHINGTON, December 12, 1940.

SIRS: There is attached hereto a list¹ of the articles and materials the export of which from the United States has been restricted in the interest of the national defense under the authority of the Act of July 2, 1940.² As will be observed, these are for the most part commodities which either are not produced in the United States or are not produced here in sufficient quantities to meet the rapidly expanding needs of our defense program. The export of some of these commodities is very rigidly restricted, the export of others is permitted to proceed with comparative freedom, the action taken in each instance depending upon the extent of the supplies or the gravity of the shortage existing in the United States.

Every effort has been and is being made not to interfere with purchases in this country of these articles and materials by the other American Republics, and licenses are issued for export to those republics in all cases unless United States stocks of the commodity in question are dangerously small or are absolutely essential to our own defense program. Licenses have in general been granted for the export to the other American Republics of their normal pre-war purchases even of those commodities in which we have a serious deficiency. We have attempted also, in so far as we were able, to make available to the other American Republics indispensable articles and materials which they have not in the past customarily obtained in the United States but the other sources of supply of which are now cut off.

It is this Government's intention to continue during 1941 to sanction the export to the other American Republics of quantities of the

¹ Not printed.

² 54 Stat. 712.

commodities in question representing as large a proportion of their usual imports of these commodities from all sources as the extent of our stocks and the needs of our defense permit. It is also our desire to consider sympathetically requests that may be received from the Governments of the other American Republics for permission to obtain in the United States quantities of these commodities in excess of their usual imports, if such quantities should prove to be absolutely essential in view of existing world conditions. In order that these objectives may be achieved and that they may be coordinated with our procurement plans, it is necessary that this Government have as accurate a forecast as possible of the probable requirements of these republics during 1941.

You are requested, therefore, to transmit promptly to the Department whatever information you may be able to obtain in regard to the annual quantities of each of the articles and materials referred to in the attached list (except arms, ammunition, and implements of war, aircraft parts, equipment, and accessories, machine tools, and the items listed in the proclamations of September 12 and 30, 1940^a) imported from all foreign sources during the years 1937-1940, inclusive, by the country in which you are stationed. Should information in regard to all of the commodities or all of the years referred to not be immediately available, you should, in view of the urgency of the matter, transmit at once whatever can be obtained promptly and supplement your original report with further statistics as soon as they can be obtained.

You are requested at the same time to approach the Government to which you are accredited, to lay before it the considerations set forth in the first three paragraphs of this instruction, to emphasize the fact that the general basis on which exports from the United States to the other American Republics will be authorized will be that of previous imports by those republics, and to urge that any requests which the Government to which you are accredited may desire to make for an unusual quantity of any given commodity should be presented in the near future in order that these requests may receive the most favorable consideration possible. Any such requests should be accompanied by an explanation of the need for the commodity and of the use to which it is to be put in the importing country.

In bringing this matter to the attention of the Government to which you are accredited you should, of course, make it clear that the United States cannot guarantee to furnish or to license for export to the other American Republics all, or any fixed proportion of, their usual imports of these articles and materials, or, *a fortiori*, any unusual quan-

^a Department of State *Bulletin*, September 14, 1940, p. 213; *ibid.*, October 5, 1940, p. 279.

titles which they may desire to obtain. The Governments of those republics may be assured, however, that export licenses will be granted, on the general basis set forth above, in every case where the proposed exports would not seriously jeopardize indispensable stocks in the United States.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

811.20 (D) Regulations/1729a

The Secretary of State to Chiefs of Mission in the American Republics

WASHINGTON, April 1, 1941.

CONTROL OF EXPORTS

SIRS: Reference is made to the Department's circular instruction of December 12, 1940 regarding the export of articles and materials under Section 6 of the National Defense Act of July 2, 1940. You are instructed to obtain at an early opportunity an audience with the Minister for Foreign Affairs and to communicate to him the substance of the following message:

The first three paragraphs of the Department's circular instruction of December 12, 1940 outlined the principles on which this Government has been licensing the export to the other American republics of commodities important in our national defense program. With the rapid development of the defense program, and the great increase in the demand for numerous raw materials, a situation of scarcity has developed with respect to many items. A tight situation now exists with respect to aluminum, zinc, nickel, copper, manganese, tin and tungsten, among other materials, while the supply of iron and steel is falling behind demand. On a number of items, including machine tools, aluminum and nickel, specific priorities for domestic consumption within the United States have been imposed.

Faced with this situation the Government of the United States is seeking and must obtain the fullest cooperation of all of the other American republics if it is to be able to maintain its policy of the most liberal possible licensing of exports to the other American republics. It is this Government's opinion that such cooperation could most advantageously take the form of the imposition by each of the other American republics of a system of export control over:

1. Materials imported from the United States by the other American republics and subject to export control by the United States.

a) The United States will continue to permit exports to the other American republics in all cases unless United States stocks of the commodity in question are dangerously small or are essen-

tial to our own defense program. In the cases of products the supply of which is not affected by these considerations an attempt will be made to issue licenses freely for use within the American republics or at least in amounts up to the recent import requirements of the nations in question. On such products export control by the nations in question would be satisfactory if it restricted exports except to other American countries which impose similar export control. Where such a system of export control is imposed by the nations in question, it may be possible to grant general licenses for export of certain categories of products similar to that recently extended in the case of Cuba. (A copy of press release no. 130 relating to the general license for exports to Cuba is attached.)⁴

b) In the case of articles the United States supply of which is less than the demands made by our national defense program, our own consumption, and the requirements of the other American republics, it will be necessary to impose some relative scale of priorities which would of course change from time to time. In these cases an effort will be made, if it is at all possible, to fulfill the most urgent requirements of the other American republics, deferring fulfillment of less urgent requirements until the supply situation improves. In these cases it will be necessary that this Government be assured that materials so exported reach their specific destinations, and that no re-export, even to other American countries, be permitted.

2. Strategic materials and materials important in our national defense program and for the general defense of all the American republics which are produced in the other American republics.

a) There exist in the United States strong commercial markets for most, if not all, strategic and critical materials produced in the other American republics. Moreover, you may make it clear, without making any positive commitment, that in the event such measures of control and regulation are undertaken, this Government stands ready to give consideration to purchasing supplies of such commodities as a regular part of its program for building up its own defense reserves. On such materials it would be satisfactory if exports were regulated in such a way as to give the United States prior opportunity to acquire them.

You have been furnished from time to time lists of the articles and materials the export of which from the United States has been restricted in the interests of the national defense under the authority of the Act of July 2, 1940. There follows a list of specific materials in which this Government is particularly interested:

Alcohol (Ethyl)	Beryllium
Aluminum	Cadmium
Antimony	Castor Oil or Beans
Arsenic	Chromium
Asbestos	Cobalt

⁴Not printed.

Coconut Shell Char	Nitrogen Compounds (Ammonia and Nitric Acid)
Copper	Palm Oil
Copra	Phosphates
Cotton Linters	Platinum
Cryolite	Potash
Flaxseed	Quartz Crystals
Fluorspar	Quinine
Graphite	Rubber
Industrial Diamonds	Sisal
Hides	Sulfuric Acid (including sulfur and Pyrites)
Iron and Steel	Tanning Materials
Kapok	Tin
Lead	Titanium
Magnesium	Tungsten
Manganese	Uranium
Mercury	Vanadium
Mica	Zinc
Molybdenum	Zirconium
Nickel	

Please inform the Department whether the Government to which you are accredited would, in the light of all the considerations expressed above, be willing to consider the creation of such a system of export control or the adaptation of systems which may now be in force to the standards outlined briefly above.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

811.20 (D) Regulations/1326: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 30, 1941—4 p. m.

253. Department's no. 149, March 28, 6:00 p. m., and your no. 242, April 1, 4:00 p. m., and no. 344, April 23, 11 a. m.⁵ The Department has, since dispatching its above-mentioned telegram, discussed the question of general licenses with the representatives of a number of other American republics. As a result of these discussions the Department has determined that it would be justified in issuing a general license for the export of a given commodity to a given country only if that country will totally prohibit the export of the commodity, whether imported from the United States or elsewhere or domestically produced, except to the United States and other American republics having similar export control systems. Otherwise it is clear that the commodity might be imported from the United States in such

⁵ None printed.

quantities as to release for export to unsatisfactory destinations other quantities of the same commodity produced domestically or imported from elsewhere.

In view, however, of the fact that this modification of the Department's policy had not occurred when the question was taken up with the Brazilian Government last month and that that Government has corrected its export control law in the sense which the Department requested at that time, the Department does not wish further to delay the issuance of general licenses to Brazil and is recommending to the appropriate American authorities that such licenses be authorized as soon as possible. Since, however, all the other American Republics are being asked to prohibit the export of the commodities for which general licenses are issued in the United States, the Department feels it necessary to make the same request of the Brazilian Government and will proceed with the issuance of general licenses in the expectation that Brazil will promptly prohibit the export, except to the destinations indicated in the preceding paragraph, of those commodities for which such licenses are issued.

In bringing this matter to the attention of the Brazilian authorities, please emphasize that general licenses cannot in any case be issued for the export of certain commodities of which the United States has only a meagre exportable surplus or no surplus whatsoever.

HULL

811.20 (D) Regulations/2246a

*The Secretary of State to Diplomatic Representatives in the
American Republics*

WASHINGTON, May 13, 1941.

SIRS: Reference is made to the Department's circular instructions (File Nos. 811.20 (D) Regulations/883a and 1090a) of December 12, 1940 and January 30, 1941⁶ requesting that information be submitted to the Department in regard to the import into the other American republics of the articles and materials the exportation of which from the United States is subject to license under the authority of the Act of July 2, 1940.

There have recently been transmitted to all the missions in the other American republics copies of Schedules 1, 2, 3 and 4 issued by the Administrator of Export Control listing all of the articles and

⁶ Latter not printed.

materials subject to export restriction at the present time.⁷ It is requested that information identical with that sought in regard to the commodities referred to in the Department's instructions of December 12 and January 30 be submitted as promptly as possible in regard to all the articles and materials listed in the above-mentioned schedules which were not among those referred to in the instructions.

The additional commodities should also be brought to the attention of the government to which you are accredited in connection with the considerations set forth in the penultimate paragraph of the instruction of December 12. Advantage may be taken of the opportunity to point out, in those countries in which a system of export control has not yet been adopted, that the adoption of such a system will facilitate the issuance of export licenses in the United States and that it will be possible to issue general licenses in the case of many of these additional commodities if the other American republic has in its turn prohibited their export to destinations other than the United States and American republics having systems of export control.

Very truly yours,

For the Secretary of State:
DEAN ACHESON

811.20 (D) Regulations/2531a : Circular telegram

*The Secretary of State to Diplomatic Representatives in the
American Republics*

WASHINGTON, May 27, 1941—8 p. m.

In connection with recent telegrams and instructions from the Department having to do with export control and recommending that the other American republics prohibit exports except to the United States and to American republics having export control systems, the Department does not, of course, wish to interfere in any way with exports to the British Empire. This statement of policy is conveyed to you for your own information and not for formal transmittal to the government to which you are accredited. Should that government, however, raise the question with you, you may reply in the sense outlined above.

HULL

⁷ A Presidential Proclamation of March 4, 1941, stipulated that on and after April 15 a license to export would be required for any model, design, photograph or any document containing specifications or technical and descriptive information of use in producing articles or materials, the export of which was forbidden. (See Department of State *Bulletin*, March 8, 1941, p. 245.) The Administrator of Export Control, Brig. Gen. Russell L. Maxwell, was authorized to determine the form of these articles and materials (see *ibid.*, March 15, 1941, p. 283), and subsequently he issued the Schedules here referred to (see *ibid.*, April 19, 1941, p. 474). For texts of Schedules 1, 2, 3, and 4, see 6 *Federal Register*, 1536, 1814, 2004, and 2033, respectively.

710 F.E.A.C./228

Statement by the Chairman of the Inter-American Financial and Economic Advisory Committee (Welles)

STATEMENT MADE BY MR. SUMNER WELLES TO THE INTER-AMERICAN FINANCIAL AND ECONOMIC ADVISORY COMMITTEE WITH REFERENCE TO ORGANIZATION FOR CONSIDERING AND HANDLING EXPORT CONTROL AND RELATED POLICIES ⁸

[WASHINGTON,] June 19, 1941.

The broad program in which the United States is engaged of production of materials and equipment essential to national and continental defense has led to a situation of scarcity with respect to many commodities and the establishment by the United States of a system of control of the export and, in many cases, the domestic consumption of such items. At the present time some sixty percent, by value, of the articles exported from the United States are subject to export licensing and/or priorities.

It is the objective of this policy on the one hand to restrict the exportation, and in some cases domestic consumption, of goods produced in the United States to amounts consistent with the demands of the defense program, while on the other hand to facilitate in so far as is feasible the exportation to the other American nations of at least their essential import requirements, and in general as large amounts of particular United States products as are consistent with the exigencies of defense. A separate but related phase of policy concerns the acquisition abroad of strategic materials essential to the defense program, and, in general, the utilization of the materials of the Hemisphere in the continental defense.

It is the view of the United States that these objectives are of interest and importance to all of the American republics, and that they may best be realized by the creation of an inter-American system of export control involving strict restriction and control of the exportation of products outside of the Western Hemisphere with a maximum of free commerce within the Hemisphere which is compatible with defense requirements. To this end the United States has been seeking in individual conversations the fullest cooperation of all of the American republics, and it is the opinion of the Government of the United States that such cooperation could most advantageously

⁸ Submitted as Annex A to the report of Subcommittee II of the Inter-American Financial and Economic Advisory Committee and transmitted by the Chairman of the Committee (Welles) to the Secretary of State, July 8, 1941; for report, see *infra*. For correspondence on this Committee's resolution and plan concerning foreign vessels in American ports, see pp. 185 ff. For correspondence concerning the activities of the Committee in 1940, see *Foreign Relations, 1940*, vol. v, pp. 345 ff.

take the form of the establishment by each of the American republics of a system of export control over:

1. Materials subject to export control by the United States which are exported to the other American republics by the United States or which are produced in the other American republics.

a) The United States will continue to permit exports to the other American republics in all cases unless United States stocks of the commodity in question are dangerously small and are essential to the defense program. In the cases of products the supply of which is not affected by such considerations an attempt will be made to issue licenses freely for use within the American republics or at least in amounts up to the recent import requirements of the nations in question.

It has been found possible to issue general licenses for the export of certain of such products to all of the other American republics. Moreover, it is possible to issue general licenses to products in this category for export to American republics which also control the exportation and re-exportation of such products whether imported from the United States or elsewhere or produced domestically. Such general licenses greatly facilitate trade among the American republics.

b) In the case of articles of the greatest stringency and importance to the defense program, it has been and it will continue to be necessary to impose a system of priorities as between the demands of the defense program, the requirements of the other American republics, and civilian consumption in the United States. In these cases it will at best be possible to grant priorities for only the most urgent requirements of the other American republics, and, in view of the control thus obtained, it will be possible to simplify the administrative procedure by issuing general licenses for the exportation of articles for which such priorities have been granted.

c) In the case of all other articles the United States supply of which is less than the several demands, it will be necessary to impose some quantitative restriction on exports, and, in many cases, on domestic consumption. In all of these cases an effort will be made, if it is at all possible, to fulfill the most urgent requirements of the other American republics, deferring fulfillment of less urgent requirements until the supply situation improves. In these cases exportations must be individually licensed, and it will be necessary that the Government of the United States be assured that the materials so exported reach their specific destinations.

2. Strategic materials and materials important in the national and continental defense, which are produced in the American republics.

a) This is an essentially separate though closely related phase of policy involved in the defense program. As a result of the great expansion in production, there exist in the United States strong commercial markets for most, if not all, strategic and critical materials produced in the Western Hemisphere. Moreover, the appropriate agencies of the Government of the United States stand ready to give consideration to purchasing supplies of such commodities as a regular

part of its program for building up its own defense reserves and stock-piles.

This approach on the part of the United States for cooperative action among the American republics has met with a most gratifying general response, and, indeed, many of the other American republics had already embarked on similar and related courses of action. At the present time all of the American republics have established, or are actively considering, some form of export control directed to ends similar to those set forth above. As a result, the United States has been in a position already to issue general licenses for the export to Argentina, Brazil, Cuba, and the Dominican Republic respectfully [*respectively*] of lists of commodities in category 1(a) mentioned above, as well as of certain commodities which are subject to priority approval. Arrangements for the issuance of similar general licenses for the export of commodities in these categories to a number of additional American republics are also being completed.

With respect to the related policy of acquisition of strategic materials, appropriate agencies of the United States have entered into arrangements for the purchase of many commodities from individual producers, groups of producers, or the Governments of a number of the American republics.⁹

As is inevitable, the several systems of export control already imposed or in contemplation, although they point towards the same end, differ considerably in scope and form. There arise as a result a number of practical problems such as for example the question of the control only of the re-exportation of articles imported from one particular country as contrasted with control over all exports of the particular articles, whether imported from any source or produced domestically. Another problem which gives rise to extensive and complex administrative difficulties lies in application by the several republics of controls to varying lists or groups of commodities. As a result, the United States, and other nations, have been compelled to limit the issuance of general licenses and to restrict the exportation and re-exportation of the goods therein covered to such other American republics as happen to control the particular item.

Commerce among the American nations can obviously be made most free under present world conditions which have occasioned the imposition of all of these types of export control, if all of the American republics adopt parallel systems of export control thus

⁹ For correspondence regarding the obtaining of strategic materials from certain American Republics, see: Argentina, pp. 357 ff.; Bolivia, pp. 452 ff.; Brazil, pp. 538 ff.; Chile, pp. 578 ff. See also vol. VII: Colombia, pp. 40 ff.; Mexico, pp. 403 ff.; Peru, pp. 524 ff.

establishing an inter-American system. To this end, the Government of the United States suggests:

1. That the Inter-American Financial and Economic Advisory Committee undertake the consideration of problems of export control and the formulation of a plan for an inter-American control system.

2. That the matter appropriately be referred to Subcommittee II on Commercial Problems.

3. That Subcommittee II elicit information from the several Delegates and Governments regarding the essential import requirements of the individual American republics, and concerning the various systems of export control already established by a number of them.

4. That Subcommittee II consider the steps towards a broad Hemisphere program of control already taken by a number of the republics, and formulate detailed recommendations for an inter-American system which would permit a maximum of freedom of interchange among the American republics.

If this suggestion meets with general approval, the Government of the United States is prepared to place at the disposal of the Advisory Committee and Subcommittee II information regarding the policies and administrative procedures with respect to export licensing and priorities controls established by it; special arrangements entered into with and general licenses issued for exports to particular American republics which have adopted some form of export control; data available to it regarding the systems of control in effect in other American nations; and such information as it has collected with regard to the import requirements for certain materials of some of the American republics.

710 Financial and Economic Advisory Committee/228

*Report of Subcommittee II to the Inter-American Financial and Economic Advisory Committee With Respect to Export Control Systems*¹⁰

[WASHINGTON, undated.]

In accordance with the resolution of the plenary session of June 19, 1941, Subcommittee II has undertaken the consideration of the statement (a copy of which is annexed hereto)¹¹ made at that session by the Chairman of the Advisory Committee, the United States member, with reference to organization for considering and handling export control and related policies by the American republics.

¹⁰ Approved by the Inter-American Financial and Economic Advisory Committee in plenary session of July 3 and transmitted to the Secretary of State by the Chairman of the Committee, Sumner Welles, July 8, 1941.

¹¹ *Supra.*

It is the view of the Subcommittee that it is desirable and necessary to devote the materials and products of the Western Hemisphere primarily to the defense of the Hemisphere. This objective may be best realized, and at the same time the essential import requirements of the American republics fulfilled in so far as is feasible, by the creation in each of the American republics of parallel systems of export control involving strict restrictions and control of the exportation of products outside of the Western Hemisphere with a maximum of free commerce within the Hemisphere which is compatible with defense requirements.

The Subcommittee believes that the general problem may be considered in four principal aspects:

1. The establishment of parallel systems of export control in all of the American republics.
2. Form of organization for handling export control and importations in each of the American republics.
3. Estimations of the minimum essential import requirements of each of the American republics indicating the relative importance of various principal uses.
4. Form of organization for disseminating information regarding systems of export control in existence, the several types of organization and procedures relating thereto, and the outlook regarding the supply situation of the various important products.

The Subcommittee in this report undertakes to consider only (1) and (3).

1.—Establishment of Parallel Systems of Export Control.

Some steps towards the establishment of export controls have been taken by all of the American republics, and the Subcommittee has had before it for study the legislation on the subject of thirteen American republics, copies of which are also annexed.¹² As is inevitable, these systems differ considerably in scope and form. Some are limited to specific lists of commodities; others empower the Executive Power to control, at its discretion, the various categories of materials and products. A few envisage the control at once of all exportation, while one, at least, would control all products controlled in other American republics. In view of the development of its manufacturing for export, and its role in production for national and continental defense, the United States of America has imposed one or another form of control over more than sixty percent of its export trade, and its representative has made the following statement of policy in the discourse mentioned above:

“It is the objective of this policy on the one hand to restrict the exportation, and in some cases domestic consumption, of goods produced in the United States to amounts consistent with the demands

¹² Not printed.

of the defense program, while on the other hand to facilitate in so far as is feasible the exportation to the other American nations of at least their essential import requirements, and in general as large amounts of particular United States products as are consistent with the exigencies of defense.”

From the variation in the scope and form of the several systems of export control now in vogue there arise a number of practical problems such as for example the question of the control only of the re-exportation of articles imported from one particular country as contrasted with control over all exports of the particular articles, whether imported from any source or produced domestically. Another problem which gives rise to extensive and complex administrative difficulties lies in application by the several republics of controls to varying lists or categories of commodities. As a result, certain American republics have been compelled to limit the issuance of general licenses and to permit the free exportation and re-exportation of the goods therein covered only to such other American republics as happen to control the particular item.

Commerce among the American nations can obviously be made most free under the present world conditions which have occasioned the imposition of all these types of export control, if all of the American republics adopt parallel systems of export control, thus establishing an inter-American system. To this end it is recommended that appropriate legislation be adopted in each of the American republics providing that:

1. The Executive Power be authorized to prohibit and control both the exportation and re-exportation of materials and products important to national and continental defense, whether imported from any source or produced domestically.

2. Such exportation and re-exportation be permitted freely to other American republics having parallel systems of control to the extent compatible with the defense program.

3. Suitable penalties for violations be imposed.

In order to have a better understanding, enclosed herewith is a memorandum prepared by the Delegate of Costa Rica referring to this matter (Annex C).¹³

Obviously such parallel systems of control will be most effective in making possible the greatest feasible quantities of essential import goods and in permitting a maximum of free commerce within the Western Hemisphere, if the Executive Powers of all of the American republics exercise such control to the greatest degree attainable over identical categories of commodities. To this end, a close coordination of policy will be required, and it is suggested that the Inter-American

¹³ Not printed.

Financial and Economic Advisory Committee provides the best vehicle for such continuing coordinating functions.

It is accordingly requested that the Governments of the American republics furnish the Advisory Committee with texts of the laws and regulations from time to time adopted in their territories with respect to export control.

3—*Estimations of the Minimum Essential Import Requirements of Each of the American Republics.*

The broad program in which the United States is engaged of production of materials and equipment essential to national and continental defense has led to a situation of scarcity with respect to many commodities, and the establishment by the United States of a system of control of the export and the domestic consumption of such items. In order to cooperate with the United States in its policy of facilitating, as far as possible, to the other American republics the supply of their essential import requirements, accurate information is needed whereby an estimation of these requirements of each American republic can be made.

With respect to this problem, Subcommittee II suggests the following recommendations:

That through the medium of the Inter-American Financial and Economic Advisory Committee, the American republics be requested to furnish, as soon as feasible, the following information, as accurate as possible, and containing the essential minimum import requirements of the said republics, that is to say:

A)—Estimations of the amounts of materials listed in Annex D,¹⁴ required to be imported during the last two quarters of 1941 and first two quarters of 1942; only to meet the most essential needs of the country:

(1)—For the requirements of the Government:

(a) in matter of defense

(b) in other matters, not included in the following paragraphs;

(2)—For the requirements of enterprises (either official or not) of public services, railroads, shipping lines and other transport agencies.

(3)—For the requirements of projects of national development, as steel mills, aqueducts, shipyards, etc.

(4)—For other commercial and industrial requirements (of a private character).

B)—Comparison of the figures corresponding to each item mentioned in the above paragraphs with the imports of the same items during 1939 and 1940.

¹⁴ Not printed.

C)—The order of preference attributed to each item on account of its urgency or importance.

In order to gather all the information and data the Subcommittee has prepared a model form to be filled by the Governments, for each article listed in Annex D. This form is also annexed hereto (Annex E).¹⁵ The employment of these forms is recommended because they will render more easy the task of collecting all the data received.

DR. LEÓN DEBAYLE

*Chairman of Subcommittee II
and Delegate of Nicaragua*

811.20 Defense (M) Chile/38b

The Secretary of State to the Ambassador in Chile (Bowers)

No. 749

WASHINGTON, October 17, 1941.

The Secretary of State informs the Ambassador that while as yet the question does not appear to have arisen, it is likely that in the current negotiations for the acquisition of various strategic materials from Chile the point will be made by the Chilean Government that contracts existing as of the date of the agreement should be excepted from the export embargo prohibiting the export of the materials except to the United States and the other American republics. This question has, of course, arisen in several of the other purchase agreements which have been entered into with the other American republics. In the Brazilian agreement the matter was not as carefully considered as it should have been and the result was that existing contracts which had been registered in accordance with Brazilian practice were excepted from the embargo. The amount of existing contracts was not important in the Mexican agreement, and the question therefore did not arise. In Peru, however, the Department has insisted successfully on a complete embargo without exception of existing contracts except for minor amounts of two materials which were conceded as a matter of expediency. In the current Argentine negotiations Ambassador Armour has been requested to insist that no exception be made as to pre-existing agreements. It is suggested that if this question arises the following arguments may be used in resisting the request. First, the prohibition by the Chilean Government contained in the export embargo would not constitute a violation of the pre-existing agreements but would merely be the intervention of the Government acting under its sovereign power so as to make impossible the performance of contracts entered into by private parties; secondly, that the United States export control system contains no exception of existing contracts.

¹⁵ Not printed.

825.24/230

*The Under Secretary of State (Welles) to the Ambassador in Chile
(Bowers)*

WASHINGTON, November 1, 1941.

MY DEAR MR. AMBASSADOR: Referring to your letter of October 13,¹⁶ the Department has been giving the most active consideration to the important problem of furnishing Chile and the other American republics with material essential for their economic life, and has taken the matter up frequently with the other interested agencies of the Government of the United States. The economic services of the Department have been reorganized with a view toward improving the efficiency of planning and carrying out policies in respect to such matters, while the Economic Defense Board¹⁷ has taken over and is thoroughly reorganizing the work of handling export licenses as well as the problem of clearing priorities and allocations. Moreover, the establishment of the Supply Priorities and Allocations Board and the reorganization of the Office of Production Management all tend in the direction of greatly increased efficiencies of operation. The work of reorganization and facilitation of procedure has not been completed, but the Department is very hopeful that procedurally many difficulties will be removed.

It would not be proper for you to get the impression that the basic situation of scarcity of supply is improving. Quite the contrary, as time progresses and the defense program broadens the scarcity of many materials and other strategic products, as well as of fabricating plant and equipment, becomes more pronounced. Severe curtailment of civilian consumption is now the order of the day in the United States and it will not be possible to obtain allocations of materials for the other American republics which do not entail a considerable amount of curtailment of civilian consumption there.

Nevertheless, the Department and the other agencies of the Government are making great strides in the collection of information regarding the minimum essential needs of the other American republics, broken down by commodities and by uses. These are being submitted to the Supply Priorities and Allocations Board, and it is hoped that within the near future definite allocations will be made for export to the other American republics. If it is possible to have such allocations made for a three or six months period the Department and the Defense Board will then be in a position to act promptly on individual applications made through the interested governments.

¹⁶ Not printed.

¹⁷ For Executive Order No. 8839, July 30, 1941, establishing the Board, see Department of State *Bulletin*, August 2, 1941, p. 97.

I must point out that these remarks of mine are preliminary, and that final decisions as to method of carrying out allocation policy have not yet been taken.

With respect to the specific complaints of Chile with respect to copper and iron and steel products, the Department has recently telegraphed you. As a matter of fact, the Economic Defense Board and the OPM have outstanding specific instructions to act promptly on all applications for copper products to Chile, Peru, and Mexico, the sources of the raw material. Even so, I must repeat that the arguments advanced by the Chileans are not entirely reasonable, since one of the very great shortages within the United States is of productive facilities for fabricating these metals. In the case of copper much of the shortage lies in fabricating facilities as well as in the raw material. The situation in iron and steel is even more acute, since supplies of iron ore are relatively plentiful, while blast furnaces and other steel manufacturing facilities are deficient.

With best personal regards,

Sincerely yours,

SUMNER WELLES

811.20 Defense/433

The Secretary of State to Diplomatic and Consular Officers in the American Republics

WASHINGTON, December 1, 1941.

SIRS: A number of diplomatic missions and consular offices in the other American republics have requested that they be furnished with information showing the sacrifices being made in the United States by industry and consumers because of the current shortage of strategic materials required for the national defense effort. This material has been requested to assist diplomatic and consular officers in answering charges in governmental and private circles that the United States is itself not making sacrifices commensurate with the ones the other American republics are called upon to suffer.

There is enclosed a memorandum indicating some of the sacrifices which the American manufacturing and consuming public have been called on to make because of material shortages. It is hoped that this information will be of assistance to you in explaining officially and privately that at least equal treatment is being sought in every instance for the requests of the other American republics and that extensive sacrifices are being made in this country. While it is not desired that officers carry on any concerted campaign to get these data before the public in the country to which you are accredited, nevertheless it may be possible in your discretion to use the material

to advantage in discussions with governmental officers, influential trade and financial circles, and possibly in public addresses which you might be called on to make in the normal course of affairs.

Very truly yours,

For the Secretary of State:

DEAN ACHESON

[Enclosure]

NOVEMBER 21, 1941.

MEMORANDUM CONCERNING SACRIFICES BEING MADE BY INDUSTRY AND CONSUMERS IN THE UNITED STATES BECAUSE OF THE SHORTAGE OF STRATEGIC MATERIALS

It is not generally realized, in countries outside the United States unable to obtain desired American supplies, to what extent the defense program has entailed sacrifices within the United States. Civilian needs have been severely cut, much "priority unemployment" has developed and many manufacturers, particularly those whose plants are not readily adaptable to defense production, have been compelled to reduce greatly their operations or to close. In spite of plans to alleviate the situation by the Supply Priorities and Allocations Board, by giving special consideration to "hardship" cases, it appears inevitable as more and more of the national effort is devoted to defense, that many industries will be adversely affected to an ever increasing degree.

No general discussion or outline of the national defense program can be given in this brief memorandum. The policy of the United States government to make the United States the arsenal of democracy has been amply conveyed to the field in speeches of the President and of various officers of the government. The Department is making every effort to keep the field supplied with current information. In addition to data contained in the Department's Radio Bulletin, various publications have been forwarded, including copies of the most recent issue of the Comprehensive Export Control Schedule, No. 4; a pamphlet entitled "Materials for Defense" issued by the Office of Emergency Management containing a series of eleven articles on shortages of various critical materials; Press Release PM791 of July 28, 1941 containing a tabulation of orders issued by the Division of Priorities;¹⁸ (a later tabulation PM1568 dated November 13, 1941 has been mailed) the official weekly bulletin of defense agencies in the Office of Emergency Management entitled "Defense", has been forwarded for some time to the missions in the American Republics and arrangements are being made to dispatch it to consular offices.

¹⁸ Office of Production Management.

However, a few brief comments might be made on the defense program. Appropriations have already been made totaling over sixty billion dollars. The problem was considered by many a year and a half ago when the defense program first got under way, to see how such a program could be set upon the top of a regular business framework of our economy; today, the problem is to find to what extent and in what manner the regular business framework can be set on top of the defense program. Official estimates indicate that about eighteen percent of our industrial effort is now devoted to defense and that within twelve months this percentage will probably reach between 45 to 50 percent with a probability of even greater increase thereafter. The effect of this change-over upon industry's ability to supply civilian requirements is obvious. There is the further factor that civilian demand, owing to large general expenditures, has very greatly increased.

Instrumentalities and methods of control to achieve the end of supplying defense production with needed raw materials include the system of priorities, the subject of the Department's circular instruction of October 22, 1941, file 810-20 Defense/1638a,¹⁹ inventory control, allocation of raw materials, limitation orders prohibiting the use of specific materials in certain finished products, limitation of production as in the case of automobiles, the development of the use of substitutes, the standardization of manufacture as for example in planes of the same general type ordered by various airlines, the re-drafting of specifications such as those of building codes, reducing wherever possible the use of particularly critical materials, and requisition by the Army and Navy. Compliance with the various orders involved is being vigorously enforced and severe penalties have already been imposed upon violators.

It would appear possible that at least some of these measures could be adopted in some of the American Republics, particularly the use of substitute materials. Nine thousand tons of tin per year are now being saved in the United States by a slight reduction in the thickness of tinplate for cans.

A definite trend towards extension of the system of allocating raw materials has been evident in the past few months, replacing in effect the use of priorities.

Mr. Donald M. Nelson, Executive Director of the Supply Priorities and Allocation Board, was reported on November 13 as stating that the priorities system had reached the point where critical shortages of materials threatened its complete collapse. He stated that within a few months the government might have to begin rationing supplies to industries and that he could think of no civilian which would get

¹⁹ Not printed.

all of the materials he would like to have. The less essential the industry is to the national well being, the sharper will be the curtailment. The necessity of greatly reducing the scope of their operations and in many instances of being forced entirely out of business is already clear for many industries. In the case of many critical items, shortages are so severe that even a high priority rating does not enable the holder to obtain supplies because of the higher ratings issued and the short supply available. As stated by Mr. Nelson on November 7 before the Associated Manufacturers of America, there is no way by which we can make all of the things we have to make in national defense and lead a normal commercial life on top of it all.

An official of the Division of Priorities of the Office of Production Management stated on November 13, "the ratio of civilian demand to available supply for aluminum is ten to one, today: ten orders for a ton of aluminum, to every ton of aluminum that can be sold. There are three customers for every ton of copper, four for every ton of brass, two for every ton of steel—and in greater or lesser degree the same kind of ratios apply to all of the other critical metals, to most of the important chemicals, and to many of our basic fibres".

A press release of November 7 reported that preparation of allocation of all critical materials throughout American industry was called for on that day by parallel actions of the Supply Priorities and Allocations Board and the Office of Production Management. SPAB announced that it would authorize its executive director to obtain detailed production programs for 1942. It is a program which will take considerable time to put into effect; it is expected to give defense officials a clear over-all picture of the nation's total requirements for raw materials.

The following outline of some of the restrictions and prohibitions imposed on domestic industry will serve as examples.

Production of automobiles for the first six months of the model year, beginning August 1941 and ending January 1942, will show a drop of at least 36.3 percent. The cut for August, September and November was 26.5 percent; for December it will be 48.4 percent and for January 1942, at least 51 percent. Before the model year is over on July 31, 1942, the drop in output of passenger cars will probably be much greater since manufacturers of passenger cars receive no general preference rating to enable them to obtain raw materials or component parts such as truck manufacturers receive.

Washers and ironers for domestic use were cut 17.3 percent for the period August 1 to December 31, 1941. Further cuts may come.

Of the total United States production of paper and paper products defense will take at least 30 percent so that civilian needs will have to be curtailed by that or a greater amount.

Under an order of October 21, 1941 the use of copper as a component part of more than 100 types of civilian articles was restricted 40 percent for the remainder of 1941 and completely prohibited after January 1, 1942. Savings, it is hoped, will go far to strengthen our copper position and avoid a shortage. Some of the more striking items affected are: a long list of automobile and garage equipment; an extensive list of building supplies and hardware; all kinds of burial equipment; dressmaking accessories; house furnishings and equipment, including office and institutional items; household appliances, including fans, heaters, stoves, upholsterers' supplies, lamp stands, shades, et cetera; jewelry and novelties; and a miscellaneous collection such as beauty parlor equipment and barber shop supplies, beverage-dispensing units, bicycles, motorcycles, fire extinguishers, keys and locks, ladders and hoists, livestock and poultry equipment, photographic equipment, radios, street signs, vending machines, and office supplies.

The Supply Priorities and Allocations Board announced October 9 a new policy under which no public or private construction projects which use critical materials such as steel, copper, brass, bronze, aluminum, et cetera, may be started during the emergency unless these projects are either necessary for direct national defense or are essential to the health and safety of the people. This applies to public projects—Federal, State, and local—such as the building of post offices, courthouses, and similar structures; to the construction of roads and highways; to river and harbor improvements; and to flood control and power projects. It applies to the construction of factories, lofts, warehouses, office buildings and all other commercial construction. It applies to residential construction and to construction for public utilities.

By an order issued by the Director of Priorities on October 30, electric power was rationed in seven states of the Southeast. Large power consumption by defense industries, particularly aluminum plants, coupled with a severe drought necessitated power conservation. The program calls for the curtailment of power by large commercial and industrial users in seven states, effective November 10; the immediate discontinuance of the use of power for such non-essential services as sign lighting, show window lighting and floodlighting of athletic fields; and the immediate mandatory pooling of power by inter-connecting systems of 40 publicly and privately owned companies in 13 states.

On November 8, the use of cellophane and similar transparent materials derived from cellulose was ordered by the priorities division of OPM in the interest of national defense for curtailment. Some of the items affected are: the packaging of razor blades, cosmetics and soap, candles and wax products, decorations and novelties.

It was reported during the second week of November that shortage of ships for war supplies to Britain and Russia and the corresponding tightness of scarce materials to the United States will shortly become reflected in a number of industries. The question to be decided by OPM officials is whether shipping allocations of non-war materials should be cut now as a conservative measure or later as the war effort demands. A cut of this character would make possible the bringing in of larger quantities of manganese, ore, rubber, tin, tungsten and other source materials.

Shortages of kraft pulp and of the supply of chlorine have affected the production of kraft paper. Due to the increasing demand for defense purposes, the allocations of chlorine for paper production will be further reduced shortly. The industries using kraft paper are through conservation and curtailment of use reducing the civilian demand.

The following quotations from recent speeches by Donald M. Nelson, Executive Director, Supply Priorities and Allocations Board, may be of use:

"The simplest explanation is that the national defense job we have taken on is so enormous that it is going to change the pace and scope of every other job in America. In all history no nation ever set out to do so much in so short a time. We would not be attempting it if to do anything less would make us safe. We cannot succeed unless we give the job everything we have. It means that on all of the important materials we use military requirements come first. Modern war eats metals at an unimaginable rate. It is hard to think of one important metal of which, after our military needs have been met, there will be anything remotely like enough to meet all the ordinary civilian demands. We are going to run short on everything. These shortages are overall shortages. They mean that we can get through this crisis only by cutting down on the amounts that go to civilian industry.

These are not minor inconveniences that we have been talking about today. They are major hardships. They are obviously going to mean that many factories, many business men and many workers can no longer produce the things they have been producing. That is going to bring extremely difficult problems to many cities. I cannot pretend that the period of adjustment which is now beginning is going to be an easy one to get through. Yet it would be equally wrong to pretend that the problem is insoluble, or to say that we are just naturally doomed to have a depression which we cannot remedy grow up inside of our tremendous defense effort."

PROPOSAL BY THE UNITED STATES FOR THE CONTROL OF THE DISTRIBUTION OF PETROLEUM PRODUCTS AMONG THE AMERICAN REPUBLICS

800.6363/438a : Circular telegram

*The Secretary of State to Diplomatic Missions in the American
Republics*

WASHINGTON, August 30, 1941—5 p. m.

Please communicate the following statement to the Minister of Foreign Affairs and give it appropriate publicity. Please emphasize to the government the importance of its cooperating fully, especially in the establishment of the National Oil Pool Committee, as the success of the plan depends upon full cooperation. The representatives of the principal United States oil companies have been instructed by their home offices regarding the plan.

The problems of delivering petroleum products to the other American Republics and to the Atlantic seaboard of the United States, in view of the tanker shortage arising out of the withdrawal of tankers in order to supply petroleum to Britain, have received a great amount of publicity during recent weeks and are well known.

The Government of the United States believes that the interests of the Western Hemisphere will best be served if the reduction in available tanker tonnage is distributed in such a way as to bring about equality among all the American Republics.

It is the view of this Government that such equality will be achieved if the same percentage reduction in the total amount of petroleum products moved by tankers is applied in the case of each of the other American Republics and to shipments to the Atlantic coast of the United States—adjusted as may be necessary and possible, from time to time, to avoid manifest inequalities arising out of special circumstances.

The Government of the United States is convinced that if the maximum utilization of the tanker tonnage available for these services is to be attained, there will be required the fullest possible cooperation among the Governments of the American Republics and the organizations engaged in the production, transportation and distribution of petroleum products.

In order best to contribute on its part to the realization of these objectives and to the efficient use of tankers under the control of the

United States, the Government of the United States has already established an American Tanker Committee. This Committee will be charged with the proper allocation between the several areas of the world of the total tanker tonnage under United States control, and will thus have the task of translating the share-and-share-alike policy above outlined into quantitative terms. Its actions will be subject to approval and review by the Petroleum Coordinator and the Department of State.

The tankers allocated by the American Tanker Committee to inter-American services will be under the jurisdiction of the Petroleum Supply Committee for Latin America, which will be charged with operating a pool of the United States facilities for the distribution of petroleum to and in the other American Republics. This Committee, which has already been established, has the task of correlating the available facilities for distribution with the needs of the various American Republics in accordance with the enunciated principle of equality of treatment. It will report to the Petroleum Coordinator on operating matters and to the Department of State in connection with policy or other matters involving relations with other governments.

While this plan at present is necessarily limited to the operations of the petroleum facilities of the United States, the benefits of which it is capable can not be realized unless the same plan be adopted by all of the American Republics, and unless the principles upon which its successful operation depend are accepted and observed by all organizations within those Republics which are engaged in the production, transportation and distribution of petroleum products. This close cooperation can best be attained, in the opinion of the Government of the United States, by the establishment in each of the other American Republics by appropriate action of national oil pool committees on which would be represented the Government and each of the principal oil supplying organizations, national or private. The Government of the United States is already taking up with the Governments of each of the other American Republics the establishment of such national committees. Each national committee, subject to directions from its own government, would determine the current imported oil requirements of the country and would communicate them to the Petroleum Supply Committee for Latin America.

The Petroleum Supply Committee, with the composite picture of all requirements before it, and the combined transport and receiving port facilities of all participants at its disposal for this purpose, will be in a position to dispatch the available tanker tonnage under its jurisdiction in such a way as to achieve maximum transport efficiency, and equality of both burden and benefit among all countries which join in the plan.

An essential requirement of this plan is that each organization engaged in supplying oil to the American Republics must use its facilities for producing, transporting, or distributing petroleum with maximum efficiency and with due regard to the principle of equality of treatment among all the American Republics.

Commercially competitive interests must be made subordinate to the interests of national and hemispheric defense.

It is the intention of the United States to make every possible effort to assist in fulfilling the petroleum requirements of the other American Republics. The Government of the United States believes that the method outlined will accomplish this purpose, if it receives the whole-hearted support of all of the American Republics.

This statement will also be made by the United States representative at the next meeting of the Inter-American Financial and Economic Advisory Committee.

HULL

800.6363/440 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, September 9, 1941—noon.

[Received 1:14 p. m.]

1241. Department's circular telegram of August 30, 5 p. m. An oil pool of the most important American and British companies has been operating here since June 23 with the full knowledge and support of the National Petroleum Council of the Brazilian Government. The president of the National Petroleum Council told the representatives of the oil pool today that he would co-operate with them in accordance with the Department's plan. However, in view of the close relationship now existing it feels it is not necessary for the Government officially to appoint a member to the board.

CAFFERY

800.6363/446

*The Mexican Ministry for Foreign Affairs to the American Embassy in Mexico*¹

[Translation]

No. 56717

The Ministry for Foreign Affairs greets most cordially the Embassy of the United States of America in this capital, and has the

¹ Transmitted to the Department by the Ambassador in Mexico in his despatch No. 13745, September 13; received September 15.

honor to refer to the latter's memorandum of the 3rd instant,² informing the Ministry of the creation of the American Tanker Committee, a dependency of the Petroleum Supply Committee for Latin America, and also pointing out that the best manner to secure close cooperation in the production, transportation and distribution of petroleum products would be that the other American Republics would establish national committees for the administration of oil pools.

The matter was submitted to the consideration of the competent authorities, and the Government of Mexico has reached the following conclusions:

As the oil industry of the Republic is managed by one institution, this being of a national character, it is not considered necessary to establish the Committee suggested by the North American Government, for all oil tankers are under the control of "Petróleos Mexicanos", an organization which is perfectly qualified to make the arrangements considered necessary by the authorities of the United States of America regarding the needs for petroleum, of Mexico, and of the other nations of this Continent as well.

In view of the foregoing, the Ministry for Foreign Affairs kindly asks the Embassy of the United States of America in this capital to notify its Government that Petróleos Mexicanos—which for the practical effects could be considered as the National Committee referred to in the Memorandum of the 3d instant—is willing to cooperate towards the attainment of the ends pursued, and that it considers that these ends can be reached in a more effective manner without the necessity of creating a new organization.

It must be pointed out that the tankers controlled at present by Petróleos Mexicanos are destined to take care of the internal necessities of the country and to relieve, in part, the situation created in the eastern coast of the United States and in several countries of this Continent, by the lack of means of transportation.

MEXICO, September 10, 1941.

800.6363/443 : Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, September 13, 1941—11 a. m.

[Received 2:54 p. m.]

156. Department's circular telegram August 30, 5 p. m. By Presidential Decree issued September 12, the Guatemalan Government has

² This memorandum was based on the instructions contained in Department's circular telegram of August 30, 5 p. m., p. 171.

adopted measures which provide full cooperation with United States Government with respect to distribution of petroleum products, including establishment of a national oil pool committee. Copy of decree and composition of committee being sent by air mail.³

DES PORTES

800.6363/450

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 5380

RIO DE JANEIRO, September 16, 1941.

[Received September 22.]

SIR: With reference to the Department's telegram No. 789 of September 12, 4 p. m.,³ I have the honor to report as follows with regard to the oil pool committee as it functions here.

The committee is formed of representatives of the five major oil companies as follows:

Wingate Anderson, representing Standard Oil do Brasil and the Caloric Company,
Granville D. Bentley, representing the Texas Company of South America, Ltd.,
Cyril W. Nave, representing the Atlantic Refining Company of Brazil,
John C. Reed, representing the Anglo-Mexican Petroleum Company, Ltd.

It includes a sub-committee and a working committee, both appointed from officials in these companies. The committee was unofficially formed in the month of June of this year. While the National Petroleum Council is not officially represented, the head of the Petroleum Council, General Horta Barbosa, is its unofficial chairman and the committee's policy is that of closest cooperation with the National Petroleum Council. The oil companies were at first apprehensive that the committee might be considered as contrary to the Brazilian anti-trust laws but experienced no difficulty in having its formation approved by the National Petroleum Council. As pointed out in my telegram No. 1241 of September 9, Noon, there seemed to be no necessity for the National Petroleum Council or any other department of the Brazilian Government to be officially represented on the committee.

The Latin American Petroleum Supply Committee in New York advises the committee here of tanker space available for Brazil which is then divided equitably between the companies, but no completely satisfactory solution has been arrived at regarding equitable distribution of products in this country. It was at first thought that quotas

³ Not printed.

for petroleum products might be assigned to the individual municipalities in Brazil, but this plan did not meet with the approval of the National Petroleum Council. At present, consumer quotas are based on the first six months consumption in 1941 by states. (It so happens that there is only one point of importation in each state in Brazil.)

The committee's chief problem here is in supplying fuel oil for industrial use, and it is felt by them that, while clean tanker space has been made available in sufficient quantity, the lack of dirty tanker space is a matter of some concern.

No provisions appear to have been made for a system of rationing although the National Petroleum Council has, since June of this year, been "studying the matter". The National Petroleum Council has also been reluctant to indicate which industries should receive preference and which should make sacrifices. The Federação das Indústrias is cooperating with the committee in trying to solve the problems of fuel saving in the São Paulo industrial region, chiefly by suggesting improvements in present combustion methods.

As the matter stands at present, the National Petroleum Council has requested that the following proportions of Brazil's consumption of petroleum products be maintained: aviation gasoline 100 percent; diesel oil 100 percent; fuel oil 85 percent; kerosene 100 percent. In order to accomplish this, motor gasoline imports would have to be cut to 75 percent of the 1940 consumption. The maintaining of these proportions would mean roughly a 22 percent cut in tanker space, which is approximately what the New York committee has removed from the Brazilian trade.

Respectfully yours,

For the Ambassador:
JOHN F. SIMMONS
Counselor of Embassy

800.6363/469

*The Brazilian Minister for Foreign Affairs (Aranha) to the American Ambassador in Brazil (Caffery)*⁵

EC/663.63 (20)

September 20, 1941.

[Translation]

MY DEAR MR. AMBASSADOR: I acknowledge the receipt of your letter of September 2, concerning a suggestion of the Government of the United States with regard to the establishment of national committees in the American countries, in order that they may, in col-

⁵ Transmitted to the Department by the Ambassador in his despatch No. 5471, September 29; received October 8.

laboration, provide with regard to maritime transport services and distribution services for petroleum destined to those countries.

2. In reply, I have the honor to inform you that the Brazilian Government already has a national agency in the above sense in the National Petroleum Council (Conselho Nacional de Petróleo), which, by Decree-law No. 538 of July 7, 1938, has already been given the necessary authority to put into practice the collaboration referred to, either directly or through the intermediary of other public agencies.

I avail myself [etc.]

OSWALDO ARANHA

800.6363/467

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 184

MONTEVIDEO, September 26, 1941.

[Received October 6.]

SIR: I have the honor to refer to the Department's circular telegram of August 30, 1941, containing a statement to be communicated to the Uruguayan Minister of Foreign Relations regarding measures taken by our Government to assure the delivery of petroleum products to the other American Republics.

The full text of the statement was communicated to the Uruguayan Foreign Office in a note dated September 1. I handed the note personally to Dr. Guani⁶ and in so doing I emphasized the importance of the cooperation of the Uruguayan Government, with particular reference to the establishment of a National Oil Pool Committee. I told Dr. Guani at the same time that it was desired that appropriate publicity be given the statement, adding that I would be guided by his wishes as to whether the text should be furnished to the press by the Foreign Office or by the Embassy. He replied that he would be glad to take care of the matter and in due course the Foreign Office transmitted to the press a communiqué, the text of which I enclose as published in *La Mañana* on September 4.⁷ It may be noted that the Spanish translation of the Department's statement given in the communiqué is that prepared by Mr. Joseph F. Walker of the Embassy staff. (In order to obtain prompt consideration on the part of the Foreign Office, the Embassy finds it necessary in all important cases to transmit with its notes Spanish translations which bear the caption "Traducción—No Oficial".)

In my interview with Dr. Guani, he assured me that the matter would be given early consideration. However, it was not until September 24, that any positive action was taken and then this action

⁶ Alberto Guani, Minister for Foreign Affairs.

⁷ Not reprinted.

was in the form of a decree (the text of which is enclosed) ⁸ designating an Advisory Board (Comisión Asesora) charged with studying the matter and submitting a report within eight days. This Board is made up of representatives of the Foreign Office, the Ministry of Industries and Labor, the Ancap,⁹ and the recently instituted Board for the Rationing of Fuel.

Following the publication of the decree, I asked the local representatives of the West India Oil Company and the Atlantic Refining Company to call at the Embassy in order that I might discuss the situation with them before seeing Dr. Guani, with whom I had an appointment last evening. (As the Department is aware, these two companies import their own fuel oil which is refined for them by the Ancap. On the other hand the Texas Oil Company, although represented here and engaged in the distribution of refined products obtained from the Ancap, does not import its own crude oil.) Mr. Samuel Frazer, of the Atlantic Refining Company, told me that he had been informed confidentially that the Advisory Board designated by the Decree of September 24 had already prepared its report and would recommend the setting up of a National Oil Pool Committee to be composed of only three members representing respectively the Ministry of Industries, the Ancap, and the foreign companies which import crude oil (namely the two American concerns mentioned above and Shell Mex Uruguay Ltda.).

Mr. Frazer said that he considered it important that each one of the three companies concerned have its representative on the Committee. He said that he realized that the Uruguayan Government would be loath to designate a Committee a majority of whose members would be representatives of foreign concerns. He expressed, however, the opinion that the companies would be in a better position to protect their interests if the Committee had seven members—four representing the Government and three representing the companies.

When I saw Dr. Guani last evening, I referred to the decree of September 24 and remarked that I presumed that the Advisory Board for which it provided was not the National Oil Pool Committee contemplated in the Department's statement. (Mr. Frazer had asked me not to intimate to Dr. Guani that I had received any advices regarding the prospective recommendations of the Board, since the information had been furnished him confidentially.) With reference to the National Oil Pool Committee contemplated by the Department, I took occasion to refresh Dr. Guani's memory and quoted the pertinent portion of the Department's statement regarding representation on behalf of "each of the principal oil supplying organizations". The Minister said very frankly that the Government could hardly set up a commit-

⁸ Not printed.

⁹ Administración Nacional de Combustibles, Alcohol, y Portland.

tee on which the private companies would be in the majority. To this I replied that, as far as I was aware, there would be no objection to the Government's appointing as many official representatives as it desired, and that by appointing three officials and a representative of Ancap, the Government could provide for representation of the three companies and still have a majority. Again very frankly, Dr. Guani said that in his opinion the representative of the Ancap could hardly be considered as representing the Government in view of the very independent attitude frequently assumed by that body. He expressed also the personal opinion that the Committee should not be large and unwieldy. He promised, however, to give due consideration to my observations.

Respectfully yours,

WILLIAM DAWSON

800.6363/455 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, September 28, 1941—11 p. m.
[Received September 28—10:40 p. m.]

480. Department's circular of August 30, 5 p. m. In recent meetings I have suggested to the Foreign Minister the advisability of early Chilean action in the matter of the oil pool. Yesterday afternoon Rossetti¹⁰ informed me that he had sent detailed instructions to the Chilean Embassy at Washington regarding Chile's point of view on the proposal. He was somewhat vague as to the details of the Chilean proposal but his argument seemed to be that Chile would be willing, if necessary, to impose a cut on the nitrate and copper companies but that since these industries were of prime importance to our defense effort, we would have to see that the cuts were restored. In short, Chile would suffer little or no reduction in oil supply.

In regard to my question as to the delay in setting up a national oil pool committee, he said that a petroleum committee had already been formed by the Chilean Government. (NOTE: The Chilean Government did set up two petroleum committees by a decree of August 30 but neither of these conform to our proposal as petroleum suppliers are not represented therein.)

Rossetti was not inclined to discuss the matter thoroughly nor did I insist as I feel that the best procedure would be for the Department to give a very categorical exposé of the situation to Michels,¹¹ informing me of its communication which I shall repeat to the Foreign Minister.

BOWERS

¹⁰ Juan B. Rossetti, Chilean Minister for Foreign Affairs.

¹¹ Rodolfo Michels, Chilean Ambassador in the United States.

800.6363/463 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, October 2, 1941—2 p. m.

[Received 2:25 p. m.]

418. With reference to section 2 of the Department's telegram no. 250, September 29.¹² As reported in my despatch 184 of September 26, the oil pool plan is being studied by an advisory board designated for the purpose by the Uruguayan Government. I shall do everything practicable to expedite a favorable decision.

From confidential statements made to me by a high Ancap official I infer that the Uruguayans have sought information regarding the attitude of the Argentine, Brazilian and possibly other facilities. The official remarked confidentially that he understood the Brazilian attitude to be unfavorable.

DAWSON

800.6363/462 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, October 2, 1941—3 p. m.

[Received 3:41 p. m.]

490. My 480, September 28, 11 p. m. The local representative of Standard Oil has been informed that the Government has approved a decree setting up a national oil pool committee in accordance with Department's proposal and that the decree will be published within the next few days.

BOWERS

800.6363/463 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, October 8, 1941—9 p. m.

918. The following telegram has been received from the Embassy in Montevideo:

[Here follows text of telegram No. 418, October 2, 2 p. m., printed above.]

The following countries have approved the oil pool plan and are setting up committees: Chile, Honduras,¹³ Guatemala, and El Salvador.¹³ It is being studied in the following countries: Cuba, Costa

¹² Not printed.

¹³ The Honduran Government's approval was reported in telegram No. 66, September 5, 4 p. m. (800.6363/438), and that of El Salvador in telegram No. 70, September 18 (800.6363/447).

Rica, and Bolivia. Venezuela, Mexico, Colombia, and Peru are exporters of oil and consequently are not vitally concerned with the major aspects of the oil pool plan, although the first two have officially replied.

It is suggested that the Brazilian Government study the proposal presented by the Department and indicate if the principles involved are acceptable. It is also believed desirable that the Brazilian Government should formally participate in the National Oil Pool Committee, rather than merely indicate that it is satisfied with the present informal arrangement.

The general question of the oil pool plan will be taken up next week with a Subcommittee of the Inter-American Financial and Economic Advisory Committee, and it is hoped that at this meeting all problems connected with the plan will be clearly answered.

HULL

800.6363/472 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, October 13, 1941—5 p. m.

[Received 6 p. m.]

1484. Department's 918, October 8, 9 p. m. As Aranha pointed out in his reply to the Department's proposal with regard to the formation of a Brazilian oil pool committee (my despatch No. 5571 [5471], of September 29¹⁴) the Brazilian Government feels that it already has such an official agency in the form of the National Petroleum Council. As matters now stand, the National Petroleum Council and the pool committee are working together harmoniously and I shall not press the matter further unless the Department so desires.

CAFFERY

800.6363/473 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, October 21, 1941—3 p. m.

[Received 7:13 p. m.]

537. My 480, September 28, 11 p. m., and 490, October 2, 3 p. m. *Diario Oficial* October 20, publishes 2087, dated September 29, creating a National Petroleum Committee, composed of the Director of the Department of Mines and Petroleum of the Ministry of Fomento, the President of West India Oil Company and the Manager of Copec. The decree provides that this committee shall determine Chile's needs

¹⁴ Not printed.

for petroleum products, indicate what types shall be imported and collaborate with the Petroleum Supply Committee for Latin America at Washington, with a view to combining transportation and port facilities for all petroleum imports.

BOWERS

800.6363/484

Statement of the American Delegate (Welles) at the Meeting of the Inter-American Financial and Economic Advisory Committee, October 30, 1941

Two or three months ago the American republics were faced with a shortage in tank ships that made a severe reduction in oil supplies to the Atlantic Coast of the United States and to the other American republics seem imminent. In this situation my Government established a program for the efficient utilization of all United States facilities for the delivery of petroleum and, in a statement which was presented to this Committee on September 4, invited the cooperation of the other American republics. Prompt action in coordinating the petroleum delivery facilities of the United States, in accordance with the principles set forth in this plan, resulted in immediate and substantial economies in transportation. Regardless of ownership of either tank ships or oil, supplies began to be moved into each country from the nearest source. Partial discharge of one ship at several ports was eliminated where practicable, thus minimizing the movement of tankers with only one-half or one-third of a cargo. Lost time has been reduced in various other ways.

Many of the other American governments indicated their desire to cooperate in the program suggested by my Government, and their petroleum distribution facilities were coordinated with those of the United States.

As a result of this inter-American collaboration, the rapid depletion of reserve inventories has been checked, and, while the full possibilities of this joint effort have not yet been secured, I can say that the tank ships presently available are now used with such efficiency that the current requirements of each country in this hemisphere can be met one hundred percent, and very soon reserve inventories will begin to build up at substantial rates.

This reversal in situation, from threatened depletion of reserve stocks and rationed consumption to full supply and gradual replenishment of inventories, has resulted from hemispheric cooperation. Credit goes equally to all who have taken part.

I can say further that we expect that within the next two months the tank ship tonnage supplying the American republics will substantially be increased. With this increase and the additional gains

in efficiency that should be possible with complete collaboration, it is expected that a high degree of security with respect to oil supplies will be assured to this hemisphere.

The maintenance and extension of the cooperative system of petroleum delivery is essential in the attainment of these objectives.

800.6363/486: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, November 22, 1941—1 p. m.

[Received November 22—11:46 a. m.]

490. In a note dated November 18 and received this morning¹⁵ the Foreign Office states that Uruguay has decided to adhere to the oil pool. It reserves its decision as respects the coordination of domestic distribution and requests information from the Embassy regarding this phase of the matter. I am in some doubt as to just what the appropriate Uruguayan authorities have in mind and shall discuss the matter with Guani. I have already urged and shall continue to urge the prompt constitution of the national pool committee. Text of code [note?] and full report by air mail.¹⁵

DAWSON

800.6363/502

The Minister in Paraguay (Frost) to the Secretary of State

[Extract]

No. 321

ASUNCIÓN, December 19, 1941.

[Received December 26.]

SIR: I have the honor to refer to the Department's circular telegram of August 30, 5 p. m., suggesting the formation of a Petroleum Committee in Paraguay to cooperate with the Petroleum Supply Committee in the United States.

A copy and translation of most of the text of the Department's telegraphic instruction were formally transmitted to the Foreign Office under date of September 6, 1941, after previous informal conversations with the Foreign Minister; and were referred by the Foreign Office to the Minister of Agriculture, Commerce and Industries, Dr. Francisco Esculies. On various occasions I have recalled the matter orally to the Foreign Minister, and he in turn has recalled it to Dr. Esculies. I have also twice mentioned it personally to the latter.

There is now at hand a formal reply from the Foreign Office, dated December 15, 1941, incorporating a communication which it received

¹⁵ Not printed.

from Dr. Esculies under date of December 10, 1941. A copy and translation are enclosed herewith.¹⁶ The Department will note that the Minister of Agriculture, Commerce and Industries feels that since Paraguay's supplies of petroleum products are received wholly through Argentina, the handling of petroleum matters here might be left to the National Carburant Section of his Ministry without the formation of the Committee suggested in the telegraphic instruction above cited. If the organization of the committee is necessary he suggests that it be composed of two representatives of the Paraguayan Government and one representative of the petroleum importers.

I anticipate that the recent declarations of war will gradually lead Dr. Esculies into a more cooperative attitude, if political developments here do not result in his retirement; but feel that no present attempt should be made to force his hand. It is my understanding that Paraguay's petroleum supplies are in fact wholly controlled from Buenos Aires so that the formation of a country committee in Paraguay might very well be entirely foregone.

Respectfully yours,

WESLEY FROST

[The following countries also indicated approval of the national oil pool committee plan: Haiti, Nicaragua, Peru, Dominican Republic, and Ecuador. Publicity was given the statement contained in Department's circular telegram of August 30, 5 p. m., printed on page 171, by Costa Rica and Cuba.]

¹⁶ Not printed.

RESOLUTION AND PLAN OF THE INTER-AMERICAN FINANCIAL AND ECONOMIC ADVISORY COMMITTEE IN RELATION TO FOREIGN FLAG VESSELS IN AMERICAN PORTS

865.85/244a : Circular telegram

The Acting Secretary of State to Chiefs of Mission in the American Republics Except Costa Rica

WASHINGTON, March 30, 1941.

The following information should be furnished by you as urgently as possible to the Foreign Minister of the country to which you are accredited:

As you are aware, a number of German and Italian vessels have for many months sought refuge in the ports of the United States and have enjoyed the hospitality and protection of this Government. On Saturday, March 29, the U. S. Coast Guard received reliable information to the effect that the crews of these vessels had received orders to sabotage and disable the ships. In an effort to prevent such action, the Coast Guard immediately placed guards on the vessels. These guards found that in many cases extensive sabotage had already taken place. It was therefore decided to assume protective control over the vessels and to place their crews under custody in order to avoid further damage to the ships as well as possible injury to the ports and harbors of the United States.¹

The urgency of the matter was so great that the Coast Guard authorities found themselves obliged to act prior to notifying the Department and it was therefore not possible to give you and the Government to which you are accredited the advance notice which the Department would have wished to give. The Department will continue to make available promptly all pertinent information which reaches it and will welcome any comment which the Foreign Minister may wish to make in view of the situation prevailing in his country.

WELLES

859.85/561 : Telegram

The Secretary of State to the Chargé in Uruguay (Chapin)

WASHINGTON, April 9, 1941—8 p. m.

56. Your 148, April 7, 6 p. m.² Please inform the Minister for Foreign Affairs³ that the Government of the United States coincides

¹ For correspondence regarding the seizure by the United States of German and Italian ships within its ports, see vol. 1, pp. 451 ff.

² Not printed.

³ Alberto Guani.

in the opinion expressed by the Government of Uruguay as to the desirability of an inter-American exchange of views with regard to the problem created by the presence of immobilized merchant ships in the ports of the American Republics.

This Government inclines to the view that the most expeditious and the most satisfactory means afforded in order that the desired exchange of views may take place promptly would be the Inter-American Financial and Economic Advisory Committee of Washington. It would seem highly desirable that this Committee be utilized in order to exchange views between all of the American Governments in this regard, and, since the Committee is in continuous session, the matter could be taken up immediately. Such discussion, it is hoped, might lead to an identity of views as to the course to be followed by each individual American Republic. As the Minister for Foreign Affairs of Uruguay knows, it is the desire of the Chief Executive of the United States that he be accorded powers by the Congress to requisition foreign flag merchant ships now in American ports. It is anticipated that this question will be taken up by the Congress as soon as it reconvenes after its present brief holiday.

The present consideration by the Inter-American Financial and Economic Advisory Committee of the problem will, of course, in no way prevent any future consultative meeting of the Foreign Ministers of the American Republics from giving further consideration to the question.

Consequently, the United States Government will be glad to support any initiative which the Government of Uruguay might take in recommending to the other American Republics that the problem of immobilized merchant shipping in American ports be brought up for immediate discussion before the Inter-American Financial and Economic Advisory Committee with the understanding, of course, that the Committee itself in accordance with its functions will not be empowered to reach any decisions but will merely formulate recommendations to the respective American Governments.

HULL

859.85/587 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, April 12, 1941—10 a. m.

[Received 1:50 p. m.]

152. My telegram No. 151, April 10, 5 p. m.⁴ The Minister of Foreign Affairs handed me last night a note quoting the text of the telegram he addressed to the Chairman of the Inter-American Fi-

⁴ Not printed.

nancial and Economic Advisory Committee in Washington. In the note he requests me to inform my Government of the purposes sought by his Ministry in this matter, and suggests that in order to arrive at an early solution procedures be shortened as much as possible.

Although the Spanish text of the Minister's telegram has undoubtedly already been made available to the Department in accordance with Guani's specific request I transmit herewith for the Department's information an English translation made in this Legation:

Montevideo, April 11, 1941.

Mr. Chargé des Affaires:

I have the honor to inform you that yesterday this Ministry addressed to the Chairman of the Inter-American Financial and Economic Advisory Committee with seat in Washington, the following telegram:

"In view of present circumstances, the Government of Uruguay presents to the committee the following question, on which it requests a reply as soon as may be possible;

That, in accordance with subparagraph (D) of article No. II, resolution 4, on economic co-operation of the consultative meeting held in Panama in 1939,⁵ and as an effective measure for carrying out mutual co-operation with a view to lessening or neutralizing any disturbance which might be caused to the commerce of the American Republics, and to maintain trade intercourse among them, the committee consider whether merchant vessels stationed, as a result of the war, in the American ports, might be utilized by the respective countries by virtue of a resolution which might be considered to have a continental scope.

The measure proposed is based on the fact that the increasing rate of destruction of the means of maritime transportation by the belligerents has created a very grave problem for the fundamental right of this continent to preserve the trade which is [essential ?] to its normal existence. This inquiry thus envisages a concordant decision in the sense of utilizing the said vessels for navigation between the ports of America for the protection of American commercial interchange. It would be understood, at the same time, that the payments of rentals, compensations or any other indemnifications, would be a matter for agreement by the interested countries upon the termination of war, if this is considered most convenient or advisable.

I present to you Mr. Chairman the assurances of my highest consideration. Signed Alberto Guani."

CHAPIN

865.85/340 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTVIDEO, April 14, 1941—10 p. m.

[Received April 15—2: 39 a. m.]

156. My 154, April 13, 5 p. m.⁶ This evening in individual appointments lasting approximately one-half hour each the Minister for Foreign Affairs explained to the various American Chiefs of

⁵ See *Report of the Delegate of the United States of America to the Meeting of the Foreign Ministers of the American Republics, Held at Panamá, September 23–October 3, 1939* (Washington, Government Printing Office, 1940), pp. 50 ff. The numbering of Resolutions differs in the Spanish and English texts, and Resolution 4 referred to in Guani's note is numbered III in the English text.

⁶ Not printed.

Mission Uruguay's recent action in placing Italian and Danish ships under custody and the request for a continental decision by the Inter-American Financial and Economic Advisory Committee, and presumably appealed for support of Uruguay's action by the various American Governments.

In my interview, which concluded the proceedings, Guani appeared to be in particularly good spirits. He stated that he felt everything was going well and that he had an additional question to submit to the Washington committee through his representative, namely to attempt to obtain an inter-American declaration intimating disapproval if not actually condemning diplomatic intervention in cases involving merchant ships which he felt were in international law no different from individuals who had not only come within jurisdiction of the country in which they might be but who had actually used that country as asylum. He asked what I thought of this reasoning and when I remarked that it appeared to be merely an extension of the Calvo Doctrine⁷ and that I doubted whether the committee, being a technical, economic one, could properly rule on such a matter, he agreed and said that while he hoped for an intimation of opinion perhaps all that could be obtained would be a reference of the question to the appropriate inter-American body for definite decision.

Guani then went on to develop other ideas not immediately relevant which will be reported by air mail despatch.

CHAPIN

865.85/482

Memorandum of Conversation, by the Under Secretary of State (Welles)

[WASHINGTON,] April 17, 1941.

Participants: Argentine Ambassador, Sr. Don Felipe A. Espil;
Colombian Ambassador, Sr. Dr. Gabriel Turbay;
Brazilian Ambassador, Mr. Carlos Martins;
Mexican Ambassador, Sr. Dr. Don Francisco Castillo Nájera;
Chilean Chargé d'Affaires, Sr. Don Guillermo Gazitúa;
Under Secretary, Mr. Welles.

I saw this afternoon the Argentine, Colombian, Brazilian, and Mexican Ambassadors, and the Counselor of the Chilean Embassy in the absence of the Ambassador.

⁷ See Green Haywood Hackworth, *Digest of International Law*, vol. v, pp. 635 ff.

I gave them copies of the draft resolution which this Government intends to offer at the next extraordinary meeting of the inter-American Economic and Financial Advisory Committee, and advised them that the full text was being communicated to all of the American Governments in order that this Government might receive the views and suggestions of the other Governments of this Hemisphere.

I impressed upon them all my belief that in the interest of continental solidarity it was most desirable that this very important problem be settled by unanimous agreement at the earliest possible moment and said that I trusted this could be achieved before the meeting on April 22. I said that if the matter dragged on in open discussions of a controversial character, Axis propagandists would of course avail themselves with glee of such an opportunity, and I felt sure the result would be highly detrimental to every one of the American countries. I said I believed that the draft offered for their consideration harmonized with the various conflicting viewpoints and I earnestly hoped it would receive the approval of their Governments.

All of the Ambassadors expressed their own personal approval of the draft, but the Argentine and Brazilian Ambassadors said they felt the real difficulty from the standpoint of their Governments was to find out whether the British Government would withdraw its present objection to the utilization by their countries of these ships.

I said that obviously it was the purpose of this Government to use the ships in its own ports in such a way as to promote the interests of inter-American trade and the interest of assistance to Great Britain, to which, of course, we were completely committed. I said that under these conditions it seemed to me probable that the British Government would adopt a reasonable and friendly attitude in the matter and that it seemed to me more than likely that the British Government would negotiate a satisfactory agreement on this point with each of the Governments concerned. I said that this Government, of course, would make every endeavor to have a satisfactory solution of this point reached.

S[UMNER] W[ELLES]

865.85/365b : Telegram

The Secretary of State to the Chargé in Uruguay (Chapin)

WASHINGTON, April 17, 1941—7 p. m.

62. Your 152, April 12, 10 a. m. The text of Guani's telegram regarding the shipping situation was submitted to the Inter-American Financial and Economic Advisory Committee on April 16. It was agreed that the members of the Committee would submit this ques-

tion to their respective governments and endeavor to secure instructions so that action may be taken at the next meeting of the Committee, scheduled for April 22.

Please inform Guani that the Department, on the basis of his telegram, has drafted a resolution which it proposes to submit to the Committee on April 22. The following is the preliminary text of that resolution, which has been made available to the Uruguayan Minister here:

“WHEREAS

Subparagraph (D) of Article 2, Resolution III, on economic cooperation, of the Meeting of Foreign Ministers of the American Republics at Panamá in 1939 charged the Inter-American Financial and Economic Advisory Committee with studying and proposing to the Governments the most effective measures for mutual cooperation to lessen or offset dislocations in the trade of the American republics resulting from the present war;

The commerce of the American republics has normally been carried on in large measure in merchant vessels of non-American powers, many of which are not available for such trade because of the increasing rate of destruction of the means of maritime transportation by the belligerent nations, the consequent increased diversion of such vessels to other trades, and the prolonged stationing by their owners of a large number of such vessels in American ports interrupting their normal commercial activities; and

The resulting shipping shortage has prejudiced and is prejudicing the commerce of and among the American republics, creating a very grave problem for the fundamental right of the nations of the Americas to preserve the trade which is essential to their normal existence.

The Inter-American Financial and Economic Advisory Committee

RESOLVES:

To recommend to the Governments of the American Republics:

a. That they declare that the foreign flag vessels in American ports, the normal commercial activities of which have been interrupted as a consequence of the war, should now be utilized by the American republics in such a manner as to promote the defense of their economies as well as the peace and security of the continent.

b. That taking into account

(1) the fact that these vessels, by reason of their continued presence in American ports after the cessation of their normal commercial activities are no longer entitled to the status of ordinary trading vessels.

(2) that this change of status and the legal consequences flowing therefrom were recognized in a recommendation of the Inter-American Neutrality Committee on the subject of the Security Zone, which was among the recommendations the adoption of which into the domestic legislations of the American republics was recommended by Resolution I of the

Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana in July 1940,⁸

the American Republics declare that they are entitled to assume complete jurisdiction and control over such vessels, and may take such action in regard to them as may be in accordance with the rules of international law and the provisions of their own national legislation and administrative regulations.

c. That just and adequate compensation for the utilization of the said vessels be made in accordance with the commonly-accepted rules of international law and the national legislations of the individual American states.”

The Department is of the opinion that this resolution adequately meets the needs of the situation described in Guani's telegram to the Committee. Please discuss the situation with him and let us have his comments. It is hoped that he will instruct the Uruguayan representative to support this resolution.

Please, at the same time, inform Guani that, if and when the President of the United States is granted the authority which he has requested from Congress to purchase, requisition or take over foreign ships in American ports, it is proposed to dispose of those ships in such a way as will advance both the participation of the United States in the carrying of inter-American trade and the cause of Great Britain, to which the United States has pledged fullest support and which the United States believes to be vital to the peace and security of the entire continent. It is hoped that, if and when the Uruguayan Government assumes control of the ships in question in its ports, it will consider favorably conferring with the United States and with the Governments of other interested American Republics in order that the two objectives mentioned may be forwarded to the utmost in the utilization of these vessels.

HULL

865.85/365a : Circular telegram

The Secretary of State to Diplomatic Missions in the American Republics Except Uruguay

WASHINGTON, April 17, 1941—7 p. m.

As you are aware, recent developments have focused the attention of the American republics upon the shipping belonging to Germany and Italy, as well as to other nations, which, on account of war conditions, has been withdrawn from normal commercial activities and is located in the ports of the American republics. The following is

⁸ For correspondence concerning this Meeting, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.; for Resolution I, see Department of State *Bulletin*, August 24, 1940, p. 129.

the text of a communication on this subject from the Uruguayan Foreign Minister presented to the Inter-American Financial and Economic Advisory Committee at its meeting on April 16:

[Here follows text of note of April 11 from the Uruguayan Minister for Foreign Affairs to the Chargé in Uruguay quoted in telegram No. 152, April 12, 10 a. m., printed on page 186.]

It was agreed that the members of the Committee would submit the matter to their governments and endeavor to receive appropriate instructions for action at the next meeting of the Committee, scheduled for April 22.

The Department has given very careful consideration to this matter and plans through its representative on the Committee to present a resolution at the April 22 meeting of which the following is the preliminary text:

[Here follows text of draft resolution quoted in telegram No. 62, April 17, 7 p. m., printed *supra*.]

Please make this text available to the foreign minister of the government to which you are accredited, with the statement that in the Department's opinion it meets the needs of the situation and express the hope that a resolution along these lines will receive the support of that government's representative on the Committee.

Please add that your Government would be happy to receive any suggestions or amendments which the Foreign Minister might care to offer for its consideration. In view of the great importance of this problem it is the earnest hope of this Government that unanimity of opinion may be had on the part of all the American Governments, and that full accord may be reached prior to the next meeting of the Committee on April 22.

HULL

865.85/365c: Telegram

The Secretary of State to the Ambassador in Mexico (Daniels) *

WASHINGTON, April 17, 1941—8 p. m.

The Department's circular of April 17 regarding the proposed resolution on the shipping situation. At the same time that you discuss with the foreign minister of the country to which you are accredited the text of the resolution which the United States proposes to submit to the Inter-American Financial and Economic Advisory Committee on April 22, please state that, if and when the President of the United States is granted the authority which he has requested from Congress to purchase, requisition or take over foreign ships in American ports,

* The same, *mutatis mutandis*, on the same date to the Embassies in Cuba, Brazil, Argentina, Colombia, Venezuela, Chile, and Peru.

it is proposed to dispose of those ships in such a way as will advance both the participation of the United States in the carrying of inter-American trade and the cause of Great Britain, to which the United States has pledged fullest support and which the United States believes to be vital to the peace and security of the entire continent. It is hoped that, if and when the Mexican Government assumes control over the ships in question in its ports, it will consider favorably conferring with the United States and with the Governments of other interested American Republics in order that the two objectives mentioned may be forwarded to the utmost in the utilization of these vessels.

HULL

865.85/370 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, April 18, 1941—5 p. m.

[Received 10:20 p. m.]

131. Reference Department's circular telegrams of April 17, 7 p. m. and 8 p. m. I presented the preliminary text of the resolution to the Minister for Foreign Affairs²⁰ this morning as well as the substance of the circular telegram of April 17, 8 p. m. Doctor Solf immediately pointed out that though the text of the resolution is in line with the note of the Uruguayan Government the manner in which we propose to use the vessels is different in that in addition to aiding inter-American trade we advance the cause of Great Britain. He added that Peru would support the resolution in so far as the use of the vessels in inter-American trade was concerned which would be only course possible under the Peruvian neutrality law. The Minister commented ruefully that the action contemplated was rather late and that in any event Peru had a Danish ship which it proposed to use solely for inter-American commerce.

The Minister said that in view of the urgency of the matter he would place it before the Cabinet which is meeting this afternoon.

NORWEB

865.85/366 : Telegram

The Chargé in Uruguay (Chapin) to the Secretary of State

MONTEVIDEO, April 18, 1941—5 p. m.

[Received 10:29 p. m.]

159. Department's telegram No. 62, April 17. Guani expressed particular satisfaction with the last part of paragraph B of the

²⁰ Alfredo Solf y Muro.

resolution which he felt went far to assert the juridical right of the American Unions [*Nations?*] to deal with the immobilized merchant shipping and which might render unnecessary any further declaration condemning diplomatic intervention in such cases (see my telegram No. 156, April 14).

Guani said, however, that while as far as Uruguay was concerned he would prefer to keep the present text unaltered throughout, he felt that our Government might wish to consider changing the word should after the word war and before the word now in paragraph (a) substituting therefor the word could. By making the sense of this declaration facultative rather than obligatory, Guani believes that there is more likelihood of obtaining Argentine adherence to the resolution. In his opinion the declaration under paragraph (b) is the most important and he added that there were obvious advantages in having as nearly a unanimous adherence as possible.

That he was quite content to leave to our Government any decision as to this suggested change and that in any event the United States could count on complete support from the Uruguayan Government on the basis of the preliminary text submitted which he felt was eminently satisfactory. As I was leaving, Guani informed me that he was making a full declaration as to Uruguay's attitude toward immobilized shipping to the press of the Americas this evening but that this official explanation would contain no new points which he had not already communicated to me and was intended primarily to serve as a means of informing the Americas of his reply to the Italian Minister. Since it contained certain personal references he could not make public the text of his note in reply to the Italian Minister's protest.

CHAPIN

865.85/370: Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, April 20, 1941—2 p. m.

73. From the Under Secretary. Your 131, April 18, 5 p. m. I am sure you will realize from reading the suggested preliminary text of the resolution that there is nothing whatever in the text of the resolution which would support Dr. Solf's thesis that the resolution itself indicates or determines the way in which the vessels would be used. I think it would be desirable for you to make clear immediately that insofar as the text of the resolution is concerned, it leaves to every one of the American Governments full liberty of action as to the use of the vessels and that, consequently, any government which, either for reasons of policy or because of its domestic legislation, would desire to use such ships as it might take over solely in inter-American trade is at complete liberty to do so.

Please endeavor to clarify this important point as quickly as possible and telegraph me the results of any further conversations you may have in this regard. [Welles.]

HULL

865.85/388 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, April 21, 1941—noon.

[Received 1:31 p. m.]

135. For the Under Secretary. Department's 73, April 20, 2 p. m. The Foreign Minister on Saturday night cabled Beltrán¹¹ to support the resolution.

Dr. Solf assured me this morning that there was no misunderstanding but he said that he wished it understood that without changing its legislation Peru could not at present enter into discussions looking towards the dual use of the ships in its possession as contemplated in the Department's circular telegram of April 17, 8 p. m.

NORWEB

865.85/411 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, April 22, 1941—3 p. m.

[Received 7:10 p. m.]

350. With reference to the Department's circular telegram of April 17, 7 p. m. with regard to the question of German and Italian ships in American ports, the following is a translation of the reply today received from the Foreign Office to the Embassy's note on this question:

"I have the honor to acknowledge the receipt of your Excellency's note the 18th instant in which, with reference to the proposal submitted by the Government of Uruguay to the Inter-American Financial and Economic Advisory Commission, regarding the utilization of ships sheltered in American ports, you transmit the proposed resolution which the Government of the United States intends to present on this subject at the meeting to be held by the Commission on the 22nd instant.

This Government naturally admits the situation created by the cessation of the activities of those ships and the problem which consequently faces the countries in whose ports they are stationed, regarding the resumption of the services of common interest which they normally assure.

However your Excellency is acquainted with the views of this Government in considering this problem, contemplating a direct

¹¹ Pedro G. Beltrán, Peruvian member of the Inter-American Financial and Economic Advisory Committee in Washington.

agreement with the owners of the ships and taking into account the respect due to the rights to which they are entitled. This position is also consistent with a particular situation which cannot but be pointed out to the Commission at Washington. Without entering into the consideration of the right of seizure which must be examined in one form or another by initiative of the Uruguayan Government, it is evident that such a serious and important measure depends for the moment on the effective benefit to be derived therefrom since the point at issue is not the theoretical discussion of a right but the practical and urgent solution required by present circumstances. This condition however will not be recognized—at least in so far as ships sheltered in Argentine ports are concerned—as long as there subsists the juridical divergence existing with the British Government and as long as the latter maintains, in detriment also to our neutral position, the attitude, which Your Excellency knows, of attributing to itself the right to dispose of part of the ships to be requisitioned.

The Argentine position regarding this problem is also particular and different owing to the fact that the German ships have already been transferred to the Argentine flag and that the Italian Government for its part has expressed its agreement for the sale of ships of that nationality. The right invoked in the resolution would therefore not apply to all cases and it should be asserted only in an optional manner in view of the alternative of other solutions freely accepted.

In this situation, without denying its support of the principle of collaboration contemplated by the initiative in question or of the solutions which may seem fair and necessary in each case, on behalf of the lofty and solidary interests of the continent, the Argentine Government believes that the plan proposed should be completed and made clear in accordance with the spirit of the foregoing considerations.[”]

In presenting the note to which the above is a reply I conveyed to the Under Minister for Foreign Affairs orally the information contained in the Department's circular telegram April 17, 8 p. m.

In considering the Argentine Government's reply the Department may wish to refer to the Embassy's despatch No. 2204, April 2,¹³ regarding purchase of Italian ships, the British Government's position, et cetera, referred to in the note.

ARMOUR

865.85/410 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 24, 1941—6 p. m.

231. Your 342, April 22, 3 p. m.¹³ At the April 22 meeting of the Inter-American Financial and Economic Advisory Committee, the

¹³ Not printed.

proposed resolution on shipping contained in the Department's circular of April 17, 7 p. m., received general approval except from the Delegates of Argentina, Colombia and Chile. Colombia and Argentina advanced suggestions directed at stressing the freedom of action of each individual country. They also proposed that points 1. and 2. in paragraph (b) of the resolution be inserted in the preamble. The Chilean Delegate was instructed by his Government to endeavor to obtain assurances as to the British attitude regarding the use of these ships before approving the resolution. This point has been discussed with the Chilean Ambassador, who is recommending to his Government that he be instructed to postpone consideration of this point until after the resolution is out of the way.

The resolution was submitted yesterday to a drafting subcommittee which introduced a number of changes of presentation and phraseology and also added certain helpful concepts of a nonfundamental nature. The revised resolution, which had the unanimous approval of the drafting subcommittee, including representatives of Argentina, Brazil, Chile and Colombia, will be submitted to the full Committee on the morning of April 26 when it is hoped that it will be finally approved.

HULL

865.85/365a : Circular telegram

The Secretary of State to Diplomatic Missions in the American Republics Except Uruguay

WASHINGTON, April 26, 1941—3 p. m.

Department's circular telegram, April 17, 7 p. m. The Inter-American Financial and Economic Advisory Committee this morning approved a Resolution recommending to the governments of the American republics "that they declare that the foreign flag vessels in American ports, the normal commercial activities of which have been interrupted as a consequence of the war, may now be utilized by the American republics in accordance with the rules of international law and the provisions of their respective national legislations, in such a manner as to promote the defense of their economies as well as the peace and security of the continent." The full text of this Resolution has been made public.¹⁴

HULL

¹⁴ See Department of State *Bulletin*, May 3, 1941, p. 531.

800.85/249a : Circular telegram

*The Acting Secretary of State to Chiefs of Mission in the
American Republics*

WASHINGTON, June 24, 1941—noon.

The United States representative, the Under Secretary of State, today presented to the special subcommittee of the Inter-American Financial and Economic Advisory Committee which is studying the question of the vessels immobilized in ports of the other American republics the following tentative plan :

“1) The basic principle of the plan is that the vessels now lying in American ports shall be utilized in accordance with the resolution of April 26, 1941 in such a manner as to promote the defense of the economies of the American republics as well as the peace and security of the continent.

2) To this end there should be an immediate transfer of such vessels to active service. Just and adequate compensation for such vessels shall be made.

3) In order to attain the maximum efficiency in the operation of available shipping, there must be the closest cooperation among the maritime authorities of the ship-operating nations of the Western Hemisphere in planning the most effective use of all available vessels. This cooperation must extend to the allocation of particular vessels to the several trade routes; to efficient scheduling where more than one shipping line serves an individual port or nation; to the diversion of at least minimum shipping facilities to those nations not reasonably adequately served and in which there lie no or not sufficient inactive vessels to alleviate at least partially the situation; and to the exchange or interchange among the ship-operating nations of vessels of various types in order that each may operate the type of vessels which it is in a position to handle and which are appropriate to the type of commerce to be borne.

4) It is recognized that several of the American nations operate merchant marines and are in a position to handle efficiently the operation of some or all of the inactive vessels lying in their ports. Other American republics may not have the appropriate organization to operate ships or may not desire to undertake to do so. In such cases, the Government of the United States and United States shipping companies are prepared, in the closest cooperation and coordination with services provided by other ship-operating nations of the Western Hemisphere, to operate for their account or in any other appropriate way those vessels other American republics do not operate themselves. The Government of the United States is also prepared to make appropriate arrangements to take over and operate any such vessels in general services.

5) The Government of the United States has been informed that the British Government agrees to recognize the transfers of vessels resulting from this plan of operation and to waive its belligerent rights so long as the following conditions are met :

a) The vessels transferred are operated in accordance with this plan.

b) The vessels are operated under the flag of any American republic in inter-American trade, or by the Government of the United States in general services in accordance with paragraph (4).

c) Such service of the vessels now inactive shall not result in the diversion of any other vessels owned or controlled by Governments or nationals of an American republic to services inimical to the interests of Great Britain.

d) Any funds or proceeds from such vessels shall not be made available to the governments or nationals of the countries whose flags they flew until the present war is terminated.

e) Crews of the vessels shall be nationals of the countries whose flag the vessels fly or shall be comprised of officers and personnel satisfactory to the Inter-American Financial and Economic Advisory Committee.

6) The Government of the United States is prepared to render through the Maritime Commission every possible technical assistance and cooperation to the Governments of the other American republics."

The subcommittee is composed of the delegates of the countries in whose ports such vessels lie. The proposal was well received in the subcommittee and each delegate was requested to communicate individually at once with his own Government, asking for comments and suggestions.

WELLES

800.85/253 : Telegram

The Chargé in Argentina (Tuck) to the Secretary of State

BUENOS AIRES, July 3, 1941—6 p. m.

[Received 10:40 p. m.]

673. Reference to Department's telegram no. 347, June 17, 10 p. m.,¹⁵ and strictly confidential circular June 24, noon. In conversation with the Minister for Foreign Affairs this morning, I took the occasion again to emphasize the difficult situation confronting inter-American shipping and the responsibility of all countries concerned in cooperating towards a solution of the problem. Dr. Ruiz Guiñazú stated that his Government fully realized these difficulties and he was actively engaged in cooperating with the Minister of Marine and the President of the Commission for fostering an Argentine merchant marine in working out a solution towards the acquisition of foreign shipping now in Argentine ports. He added that steps were now under way to acquire by purchase German, French, Italian and Danish vessels now in Argentine ports and that he did not anticipate diffi-

¹⁵ Not printed.

culties in this respect. In so far as the four Danish vessels were concerned, he said that steps toward their acquisition had been facilitated through the Danish Minister in Berlin acting in collaboration with the German authorities. As regards the Italian vessels, negotiations were being conducted by the Argentine Ambassador in Rome and satisfactory progress was being made. Dr. Ruiz Guinazú stated that these vessels would be operated under the Argentine flag and with Argentine crews and in agreement with the conditions specified by the British Government (Department's circular telegram of June 24 noon). He authorized me to inform the Department that he hoped for a solution of the matter shortly.

TUCK

800.85/249a Suppl. : Circular telegram

*The Acting Secretary of State to Chiefs of Mission in Certain American Republics*¹⁶

WASHINGTON, July 5, 1941—9 p. m.

Department's circular telegram of June 24, noon, regarding plan for placing inactive foreign registry vessels into service. The special subcommittee of the Inter-American Financial and Economic Advisory Committee is awaiting instructions to the individual delegates before proceeding to act on the plan quoted in the telegram under reference. Please, in your discretion, discuss the matter informally with the Ministry of Foreign Affairs urging prompt action on the plan in view of the critical shipping situation, the only possible alleviation of which may come through the placing into service of the inactive ships lying in ports of the American republics.

WELLES

800.85/253 : Telegram

*The Acting Secretary of State to the Chargé in Argentina (Tuck)*¹⁷

WASHINGTON, July 10, 1941—9 p. m.

442. Your 673, July 3, 6 p. m. Although the Department is gratified to learn that steps are being taken towards placing into service the foreign registry ships, it views with some apprehension the fact that the Argentine Government's efforts are being apparently directed solely towards the acquisition of such ships by purchase. United States interests have had a lengthy experience in negotiations with

¹⁶ Sent to Uruguay, Brazil, Venezuela, Colombia, Chile, Mexico, Costa Rica, and Cuba.

¹⁷ Sent, *mutatis mutandis*, to Brazil as No. 526, 10 p. m., without reference.

the owners of German, Italian and other vessels in United States ports and these negotiations, which it is true have been complicated by certain other issues, have resulted only in months of delay with no definitive arrangements. As you know, the United States Government is finally taking direct and unilateral steps towards placing the vessels into service.¹⁸

One great obstacle to the acquisition of such foreign registry vessels will undoubtedly be found in the insistence of the British Government on the blocking until the end of the war of transfer of any funds in connection with the purchase or other placing into service of the vessels. (Department's circular telegram of June 24, noon.)

The substance of the above has been communicated to the Argentine Ambassador in Washington, and it is suggested that in your discretion you inform informally the authorities of the nation to which you are accredited.

WELLES

800.85/265 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, July 23, 1941—7 p. m.

569. Your 834, July 12, 1941.¹⁹ The Department, in conjunction with the Maritime Commission, is finding it increasingly difficult to continue obtaining shipping space for certain commodities, for example, oil and coal, represented by the Brazilian Government as essential to the Brazilian economy. Nevertheless, it is making every effort to see that Brazil receives and continues to receive an equitable share of the available shipping facilities. At the same time, the Department is disturbed by the delay in placing the immobilized ships in Brazilian ports into service. The negotiations, which are reported to be in progress for the purchase of these ships, do not appear to have much chance of success and the Department would greatly appreciate direct and immediate action on the part of Brazil in making these ships available for its own trade, thus aiding the Department in the more general task of providing all possible shipping facilities for inter-American commerce. The resolution of April 26, 1941 of the Inter-American Financial and Economic Advisory Committee and the plan subsequently evolved for the use of the immobilized ships (see Department's circular telegram of June 24, 1941) give adequate and justifiable grounds for taking steps with respect to these vessels.

It may further be pointed out that United States shipping authorities are not likely to feel inclined to give sympathetic hearing to re-

¹⁸ For correspondence regarding the seizure and requisition of German and Italian ships lying in United States ports, see vol. I, pp. 451 ff.

¹⁹ Not printed.

quests for additional services or even the maintenance of present services when perfectly serviceable vessels are lying unused in the ports of the country making such a request. The Department envisages the present shipping problem as one of vital interest to all the American republics, and, as such, soluble satisfactorily only by joint and co-operative action of the republics.

WELLES

800.85/273 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery) ²⁰

WASHINGTON, July 29, 1941—noon.

593. Your 939, July 25, 9 p. m.²¹ Progress is being made in obtaining the acceptance of other American republics to the general plan for utilization of immobilized ships referred to in the Department's circular telegram of June 24. The Cuban Government has accepted the plan without reservation. The Government of Chile has accepted with one or two minor clarifications and suggestions which do not in any way change the basic plan. The Government of Argentina is also in general agreement with the plan, indicating, however, that it will attempt to arrange the purchase of the ships prior to taking any further action. The Government of Venezuela has indicated that it proposes to requisition the several Italian and German ships which were partially sabotaged and will attempt to purchase the one German and one Italian ship in Venezuelan ports which were not sabotaged.

Such arrangements for the purchase of these ships are of course within the outlines of the broad plan presented by this Government to the Inter-American Financial and Economic Advisory Committee. It is this Government's view that such attempts to purchase the ships are unlikely to succeed in the near future, and this Government hopes that such negotiations will not unduly delay placing the ships into service.

This Government is most anxious, nevertheless, that the broad plan be accepted at once so that the various countries may go forward with individual arrangements to place the ships into service. Moreover, we are concerned lest the British fail to hold open their agreement to the plan in view of the length of time which it is taking to have the plan put into operation.

The Department hardly needs to remind you that the shipping situation, both with respect to dry cargo vessels and to tankers, is

²⁰ The same telegram on the same date to diplomatic representatives in Colombia, Mexico, and Uruguay.

²¹ Not printed.

extremely tight and that there is no outlook for improvement during the next 6 or 9 months. This is especially serious in view of the fact that United States vessels are being requested to carry increasingly heavier tonnages of cargoes to the other American republics. This is especially true in the coal and petroleum trades. It will be absolutely impossible for the United States to provide during the foreseeable future even partially adequate shipping facilities to transport all of the essential import requirements of the other American republics southbound and strategic and critical materials and other export staples northbound unless all of the immobilized ships in other American ports are placed immediately into service.

The Department is extremely anxious to have the reply of the Government to which you are accredited not later than Thursday²² when the next meeting of the Inter-American Advisory Committee will take place. These views have all been expressed to the diplomatic representative in Washington of the country to which you are accredited and you are requested to discuss the matter with the Ministry of Foreign Affairs at once.

WELLES

800.85/292a : Circular telegram

*The Secretary of State to Diplomatic Missions in the American Republics*²³

WASHINGTON, August 7, 1941—7 p. m.

Department's circular telegram of June 24, 1941. The Inter-American Financial and Economic Advisory Committee today adopted in principle the plan transmitted in the telegram under reference. It further resolved that the plan should go into effect upon being agreed to by all of the American republics, and that the Special Subcommittee on Immobilized Ships should continue to work out details for placing the ships into operation and to consider specific points raised by a few governments. The Committee is transmitting by airmail to the Ministers of Foreign Affairs of each of the other American republics a complete report of the Special Subcommittee, including the plan and the comments received from virtually all of the nations in whose ports there lie immobilized vessels. The Committee is requesting the reply of the governments within a 2 weeks period,²⁴ in view of the extreme urgency of the shipping situation, and the obvious desirability of placing all possible ships immediately into service. A copy of the Subcommittee's report is being transmitted to you at once by airmail.

²² July 31.

²³ Sent by air mail to Costa Rica, Cuba, Dominican Republic, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, and El Salvador.

²⁴ Later the period was extended to 3 weeks.

Please discuss this matter informally with the Minister of Foreign Affairs and explain fully to him the urgency of the shipping situation and the necessity for an immediate reply in order to make the plan work in the interests of all of the American republics.

HULL

800.85/292a Suppl. : Circular telegram

*The Secretary of State to Chiefs of Mission in Certain American Republics*²⁵

WASHINGTON, August 21, 1941—8 p. m.

Refer Department's circular telegram of August 7 regarding plan for immobilized shipping. The Inter-American Advisory Committee has requested a reply by August 30, and the Department requests that you urge the Government to which you are accredited to answer affirmatively, supporting this plan which is in the interests of all of the American Republics. The country to which you are accredited is not directly concerned, in that no immobilized vessels are in its ports, but it is of the greatest importance that all of the American Republics stand together in support of this plan which is so important to the commerce of each of them.

HULL

800.85/343b : Circular telegram

The Secretary of State to Diplomatic Missions in the American Republics

WASHINGTON, August 28, 1941—5 p. m.

The Inter-American Financial and Economic Advisory Committee today issued the following press statement:

"The Inter-American Financial and Economic Advisory Committee today announced that in its plenary session of this afternoon, it had formally adopted and placed into effect, with the approval of the Governments of all of the American Republics, a plan for the effective use in the interests of inter-American commerce of the foreign flag merchant vessels lying inactive in the ports of the American continent. The text of the plan is as follows: (The plan is that contained in the Department's circular telegram of June 24, 1941.)

"The Committee is continuing to study details incident to the actual placing of the vessels into service, and is especially considering proposals of the British Government for the implementation of Paragraph 5 of the plan."

HULL

²⁵ Sent to Bolivia, Dominican Republic, El Salvador, Haiti, Honduras, Nicaragua, Panama, and Paraguay. Also sent to Costa Rica and Ecuador with the word "serviceable" inserted before "immobilized" in last sentence.

800.85/479d : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, November 22, 1941—8 p. m.

968. On November 14 the Inter-American Financial and Economic Advisory Committee adopted a resolution ²⁶ recommending the establishment of a commission to be dependent from [upon?] the Advisory Committee to be composed of representatives of the maritime authorities of those American republics which have taken over or are in a position to take over ships immobilized in their ports. There will also be represented on the commission a member of the Inter-American Committee who will represent the interests of those nations having no ships. The proposed commission is based on the principles and will carry out the functions contained in paragraphs 1 and 3 of the August 28 plan for the effective use of immobilized ships. There is no question of abdication of sovereignty in the operation of the proposed commission. It will, however, provide a useful channel for the solution of operating difficulties which are occurring frequently. Decisions of the commission will not be by vote but rather by full discussion.

Although the commission will eventually be composed of representatives of eleven countries, it is obvious that no effective work can be done until Argentina, Brazil, Chile, and of course the United States have appointed their representatives. In the case of the United States a member of the Maritime Commission will be the representative; his authority in shipping matters is extremely broad and it is hoped that the other countries will be able to appoint members with authority approaching this level. The problem in Argentina is complicated by the fact that the Government plans to operate the sixteen Italian ships, while the Mihanovich Line controls other merchant vessels. Obviously it would be to the advantage of all concerned to have someone appointed from Argentina who will be able effectively to represent both of these interests, and you are requested to urge the Argentine Government to make such an appointment.

The work of the commission will consist primarily in advising on the distribution among those represented of the available cargoes, both northbound and southbound. In as much as some of these cargoes are less desirable than others and some are more urgently needed, the commission will have to decide on an operating level how these problems are to be met. As you know, some discontent has already arisen as a result of the fixing of two of the ex-Italian vessels for sugar from

²⁶ For text of resolution, see Department of State *Bulletin*, November 22, 1941, p. 403.

Peru to New York. This is a type of problem which will be avoided by the establishment of the new commission.

HULL

800.85/501a : Telegram

The Secretary of State to the Ambassador in Argentina (Armour) ²⁷

WASHINGTON, December 9, 1941—10 a. m.

1038. Reference Department's no. 968, November 22, 8 p. m. Governments of 14 of the American Republics have approved the recommendation of the Inter-American Financial and Economic Advisory Committee for the establishment of a dependent commission to consider maritime operating problems. Among the nations with immobilized ships and important merchant marines which have replied are the United States, Chile, Mexico, and Uruguay, which have appointed maritime representatives, and Venezuela which has accepted the resolution but which has not as yet appointed a representative.

It is obvious that the most complete cooperation and coordination of shipping services must be maintained if the shipping needs of inter-American commerce are to be effectively met. Please urge the Argentine Government to take prompt action in replying to the recommendation of the Inter-American Financial and Economic Advisory Committee and to appoint as soon as possible an appropriate maritime representative in the United States with whom such matters may be effectively discussed.

HULL

²⁷ Sent, *mutatis mutandis*, to Brazil as telegram No. 1299.

DISPUTE BETWEEN GUATEMALA AND THE UNITED KINGDOM REGARDING BRITISH HONDURAS (BELIZE)¹

714.44A15/232 : Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, March 18, 1941—5 p. m.

[Received 8:25 p. m.]

43. Personal for the Under Secretary.² Upon my return here I find a strongly revived interest among high Guatemalan officials regarding Belize. It is evident that they have expected me to bring some definite news regarding progress in the negotiations.

From a statement made by the Under Secretary for Foreign Affairs it is clear that President Ubico hopes to receive Belize outright in connection with the Lease Lend Bill.³

This matter is certain to come up for discussion at an early date notably when I call on the President. I should consequently appreciate any information which you may permit me to communicate to the President and other appropriate Guatemalan officials if only in order that they may not indulge in unwarrantedly high hopes.

DES PORTES

714.44A15/236 : Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, May 16, 1941—3 p. m.

[Received 5:53 p. m.]

67. Under instructions from the President the Foreign Minister⁴ has just informed me that for some time past Guatemala has been receiving information to the effect that Mexico is preparing to invade Belize in the event of disturbances or the defeat of Great Britain and that on May 14th the Mexican Ambassador had been to the Foreign Office to reserve the rights of Mexico in Belize. The Foreign Minister quotes the President as saying that if Mexico invades Belize Guatemala will resist with armed force.

DES PORTES

¹ Continued from *Foreign Relations*, 1940, vol. v, pp. 416-443.

² Sumner Welles.

³ Approved March 11, 1941; 55 Stat. 31.

⁴ Carlos Salazar.

714.44A15/244

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] May 17, 1941.

The British Ambassador called to see me this morning.

I took occasion to say again to Lord Halifax that I was profoundly worried by the continued delay on the part of the British Government to take any steps looking towards an adjustment of the boundary difficulties between Guatemala and British Honduras. Lord Halifax said that he would again take the matter up with his Government and urge that prompt steps be taken in the sense desired.

S[UMNER] W[ELLES]

714.44A15/237 : Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, May 17, 1941—noon.

[Received 4:25 p. m.]

69. My telegram No. 67, May 16, 3 p. m. The British Minister has just informed me that the Foreign Minister yesterday afternoon asked if it would not be possible to settle the Belize dispute immediately on the basis of a boundary settlement, intimating that Guatemala would be satisfied to receive territory up to the Sabun River and presumably dropping the question of sovereignty. The British Minister informed him, without agreeing to the extent of territorial concession, that he believed such a settlement possible.

The Department may wish to consider the desirability of bringing to the attention of the British Government this possibility of an early and definitive solution. The offer of Guatemala is unquestionably motivated by fear of the intentions of Mexico and I believe, whether or not Guatemala's fears are well founded, that the moment is now ripe for a solution.

DES PORTES

714.44A15/237

*The Under Secretary of State (Welles) to the British Ambassador
(Halifax)*

WASHINGTON, May 18, 1941.

MY DEAR LORD HALIFAX: With reference to our conversation of yesterday in which I once more expressed the hope of this Government

that some appropriate and early way might be found by the Government of Great Britain to further a friendly and equitable adjustment of the question which has arisen involving the boundary between British Honduras and the Republic of Guatemala, I am enclosing herewith a paraphrase of a telegram⁵ I have received this morning from the American Minister in Guatemala City. I believe that you will find this message to be of interest.

I feel I should once more express my fear that so long as this dispute continues, it affords a very favorable opportunity for the agents of powers now at war with Great Britain, and unfriendly to the United States, to conduct propaganda, not only in Guatemala but in Mexico as well, which propaganda has already assumed considerable proportions and may at any moment assume a dangerous aspect.

Believe me

Yours very sincerely,

SUMNER WELLES

714.44A15/237 : Telegram

The Secretary of State to the Minister in Guatemala (Des Portes)

WASHINGTON, May 21, 1941—7 p. m.

48. Your 69, May 17, noon. The Department hopes that you will be able discreetly to ascertain directly from the Foreign Minister whether he has made to the British Minister the proposal referred to in your telegram under reference.

HULL

714.44A15/241 : Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, May 23, 1941—1 p. m.

[Received 3:50 p. m.]

70. Department's telegram no. 48, May 21, 7 p. m. At first hesitating to admit that he had made the proposal mentioned in my telegram 69 without authorization from the President, the Foreign Minister finally stated that he had done so but asked that I not inform the Department of the fact before he [had?] permission from President Ubico.

DES PORTES

⁵ Telegram No. 69, May 17, noon, *supra*.

714.44A15/242: Telegram

The Minister in Guatemala (Des Portes) to the Secretary of State

GUATEMALA, May 24, 1941—1 p. m.

[Received 3:54 p. m.]

71. My telegram no. 70, May 23, 1 p. m. The Chief of Protocol has just called at the Legation with a message from President Ubico in which the President confirms the Foreign Minister's statement.

DES PORTES

714.44A15/248

Memorandum of Conversation, by the Under Secretary of State (Welles)

[WASHINGTON,] June 9, 1941.

The British Ambassador called to see me this evening at my request.

I mentioned again to Lord Halifax the boundary dispute between Guatemala and British Honduras and said that inasmuch as he had cabled his Government three times regarding this matter without satisfactory replies, I proposed to ask Ambassador Winant to deal with the question upon his return to London. The Ambassador said he thought this would be extremely useful and would appreciate it if this action were taken.

S[UMNER] W[ELLES]

714.44A15/249: Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 25, 1941—8 p. m.

[Received July 25—3:57 p. m.]

3208. Personal for the Acting Secretary. I have discussed very fully with Mr. Eden⁶ the British-Guatemalan controversy regarding the boundary between Guatemala and British Honduras and I am sending you a copy by air mail pouch of a lengthy study of the case⁷ prepared in the Foreign Office, which he gave me.

Mr. Eden made it plain that this question is rather a sore point with them. They regard the principle involved as one of great importance and not one which it would be in their real interest to solve

⁶ Anthony Eden, British Secretary of State for Foreign Affairs.⁷ Not printed.

by what they would consider a unilateral concession to Guatemala at a time when the Empire is under pressure; they do not think that Guatemala has a legal case and there exists an apprehension, which I am sure is genuine, that a concession now to the Guatemalan point of view would be interpreted in more quarters than one as a sign of weakness and likely to give rise to similar demands in other parts of the world. I personally do not think that this is a good moment for us to press for a solution. It would arouse resentment and the feeling that we were taking advantage of the war and the present world situation to attempt to force Great Britain to grant a concession now on this longstanding controversy.

WINANT

[In 1942 the United States presented a proposal for arbitration of the dispute between Guatemala and the United Kingdom regarding British Honduras but no progress was made in reaching an agreement. The 1942 correspondence is not to be printed.]

BOUNDARY DISPUTES

ECUADOR AND PERU¹

722.2315/1372a : Telegram

The Secretary of State to the Chargé in Brazil (Burdett)

WASHINGTON, January 2, 1941—7 p. m.

3. From the Under Secretary.² Please inform Aranha³ at an early opportunity that the Ambassador of Ecuador, by instruction of his Foreign Minister, has communicated to me the text of the instruction which the former has just received under date of December 28. The text of this communication is as follows:

[Text of Ecuadoran note not printed. It gave a detailed account of recent incidents on the Ecuadoran-Peruvian frontier.]

In transmitting this message the Ambassador made the following suggestions:

“In the event that Peru refuses to agree to the immediate beginning of the work of the Commission,⁴ Ecuador is resolved to resort to a Commission of Conciliation; and it is hoped that the Department of State will lend every assistance in order that the Commission may accomplish its high objective and in order to avoid, meanwhile, any resort to violence on the part of Peru. Anything that the Department of State might do to promote peace between the two countries would be profoundly appreciated; and in its desire to avoid a conflict the Ecuadoran Government would be prepared to accept any measure that might be proposed to it and that might have the guarantee of a friendly government.”

We have recently received decidedly disquieting reports on the situation along the Peruvian-Ecuadoran frontier, and while both Governments reiterate their desire to adopt only peaceful methods of settlement and to refrain from any acts which might result in violence, the dangers of the situation, particularly under present world conditions, are obvious. It is by no means impossible that agents of non-

¹ Continued from *Foreign Relations, 1939*, vol. v, pp. 141-147. During 1940 negotiations regarding this dispute were largely in abeyance. Border incidents beginning in October 1940 brought the issue again actively to the fore.

² Sumner Welles.

³ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

⁴ Peru had accepted a proposal by Ecuador for a joint commission to ascertain the facts which might serve to determine the position of the traditional *de facto* boundary between the two countries.

American powers may have some responsibility for the present recrudescence of the controversy.

It seems to me all the more desirable for these reasons that some further attempt be made to persuade the two Governments of the necessity, in the interest of the entire continent—apart from their own best interests—to submit the solution of the boundary dispute to some friendly mediation or to some impartial arbitration. As Aranha knows, I have felt for a long time that the Government of Brazil is the best qualified of all of the American governments to undertake the task of mediation. I recognize, perhaps more than any one else, the efforts which Aranha has already made in this sense. I would be most grateful, however, if you would let me have his views with regard to this communication, and let me know if he does not now see the way for some further effort on his part which may pave the way towards the desired solution. He may, of course, count, as he knows without my telling him, upon the consistent and earnest support of this Government in the efforts which he may find it possible to make in this direction. [Welles.]

HULL

722.2315/1382 : Telegram

*The Ambassador in Peru (Norweb) to the Secretary of State*⁵

LIMA, January 14, 1941—1 p. m.

[Received 4 p. m.]

11. Reference our 6, January 9, noon.⁶ During a conversation with the Foreign Minister⁷ last evening he confirmed the fact that the plane flights over Ecuadoran territory reported as Peruvian were carried out by a Lufthansa plane lent to SEDTA⁸ and on which the Peruvian insignia had not been completely erased. The authorities have fined Lufthansa 2,000 soles for infraction of the aviation regulations.

The Minister then commented upon the political difficulties in Quito and observed that Peru and Ecuador should make a contribution toward inter-American solidarity by some arrangement to settle the boundary controversy between themselves. He expressed the opinion that the matter is not one in the first instance for international

⁵ Repeated to the Ambassador in Brazil as Department's No. 22, January 15, 9 p. m., with the following instruction: "Please communicate the substance of this message to Aranha for his confidential information. It seems to me that Aranha may wish to consider facilitating the initiative discussed by Dr. Solf."

⁶ Not printed.

⁷ Alfredo Solf y Muro.

⁸ Sociedad Ecuatoriana de Transportes Aéreos.

action, and outlined a plan which he said he hoped to put into effect within a very few weeks. I stressed the importance of the time element and he agreed. He said that his first effort would be to endeavor to tranquilize and stabilize the border situation by creating an atmosphere of real friendship and confidence. His idea is that this can be done by means of treaties of friendship and commerce, exchange of students and professors, et cetera. He proposes as a first step a meeting between himself and the Ecuadoran Minister for Foreign Affairs possibly aboard a ship off the coast of Ecuador or Peru to discuss the whole matter in a friendly atmosphere and to develop the plan he has in mind.

NORWEB

722.2315/1391: Telegram

*The Secretary of State to the Ambassador in Peru (Norweb)*⁹

WASHINGTON, January 30, 1941—3 p. m.

18. Your 11, January 14, 1 p. m. The following telegram was received on January 24 from the American Chargé d'Affaires at Rio de Janeiro:

"Aranha today requested me to inform you that after giving adequate consideration to your message he applauds the initiative put forward by the Peruvian Minister for Foreign Affairs and will support the idea. He said that he would undertake to recommend this plan to both Governments and would at once speak to the Peruvian Ambassador and the Ecuadoran Minister here in that sense."

HULL

722.2315/1382: Telegram

The Secretary of State to the Chargé in Brazil (Burdett)

WASHINGTON, February 4, 1941—6 p. m.

49. From the Under Secretary. Department's 22, January 15, 9 p. m.¹⁰ I have received today a personal airmail letter from the American Minister in Quito of which I quote below the pertinent excerpt:

"At this morning's interview, I asked Dr. Tobar¹¹ if there was anything he would like to tell me about the latest developments in the boundary matter.

⁹ On the same date a telegram was sent to the Minister in Ecuador as No. 16, giving the substance of this telegram and of telegram No. 11, January 14, 1 p. m., from the Ambassador in Peru, *supra*.

¹⁰ See footnote 5, p. 213.

¹¹ Julio Tobar Donoso, Ecuadoran Minister for Foreign Affairs.

He explained in some detail that the Foreign Minister of Peru had suggested that the simplest solution might be through direct negotiations. Probably as a first step to reestablish confidence, the two Foreign Ministers might confer about a treaty of amity, probably including exchanges of professors and students. However, the Foreign Minister showed me a telegram received yesterday from Ecuador's Minister at Lima indicating that the proposals had been withdrawn.

Dr. Tobar thought it conceivable that if the Foreign Ministers of Peru and Ecuador could meet on neutral ground possibly at Washington, possibly aboard a neutral ship, that some progress might be made providing two or three representatives of impartial countries could be present. Dr. Tobar suggested that the arrival of the new Minister from Brazil might offer such an opportunity if an appropriate ship were available.

Another way would be for both Foreign Ministers to visit Washington, in which event it might be better not to announce the object of the visit. Possibly the opening of the Field Museum might afford such an opportunity. That Peru and Ecuador could reach an agreement by direct negotiations without the presence of representatives from other countries, the Doctor thought highly improbable."

Please communicate this information informally to Dr. Aranha and tell him that I believe this information will be of value to him in connection with his present negotiations. [Welles.]

HULL

722.2315/1382: Telegram

The Secretary of State to the Chargé in Brazil (Burdett)

WASHINGTON, February 6, 1941—8 p. m.

56. From the Under Secretary. The Ambassador of Ecuador today gave me a message from the Foreign Minister of Ecuador which confirms, but in greater detail, the message transmitted to you in the Department's telegram number 49, February 4, 6 p. m. Dr. Tobar expresses very definitely the view that a personal meeting between him and the Peruvian Foreign Minister would be desirable, provided it could be predicated upon the preparation prior to such meeting of some general formula of solution prepared by some third friendly power.

It seems desirable for you to bring this question again to the attention of Dr. Aranha and inquire whether it does not seem to him that the time has come when he might be able usefully to arrange for the proposed meeting in some Brazilian city in the near future.

Please tell him further for his personal and confidential information that I have received today a message from the Chilean Foreign Minister, who has just been in Lima, expressing profound disquiet with regard to the boundary controversy between Peru and Ecuador and the

possibilities for serious trouble which this situation holds for the entire continent.

Granted the apparently favorable attitude of both the Peruvian and Ecuadoran Foreign Ministers with regard to a meeting between the two of them, it would seem to me that the opportunity should be availed of unless Dr. Aranha has reason to believe that further extensive preparatory work is required.

Please telegraph me his views.^{11a} [Welles.]

HULL

722.2315/1425

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] February 28, 1941.

The Peruvian Ambassador¹² called to see me today by instruction of his Government.

The Ambassador stated that the Foreign Minister of Peru felt it would be helpful to the United States to obtain the Peruvian point of view with regard to the present status of the boundary dispute with Ecuador. The Ambassador said—

(1) Peru is not disposed to take into consideration the tender of good offices or the offer of mediation on the part of any other American government which would not as a prerequisite be based upon the retention by Peru—in any settlement of the boundary dispute which might result from such offer—of the territories held by Peru for over a century.

(2) Peru would not agree to any offer of arbitration which did not recognize the right of Peru to retain the provinces of Tumbes and Jaén—and likewise the provinces of Amazonas and Loreto.

(3) The Peruvian Government feels that the present moment is not propitious for a settlement of the boundary dispute because of the pressure which Ecuador is bringing to bear upon Peru for a settlement and because of the publicity attendant upon such Ecuadoran efforts.

(4) The Peruvian Government suggests that for the time being the best solution would be for both Peru and Ecuador to regard as the temporary line of division the line based upon the military outposts now held by both Governments.

(5) The Peruvian Government wishes the United States to be assured that Peru believes only in the pacific adjustment of this dispute and in no event will resort to force unless attacked by Ecuador.

^{11a} In telegram No. 82, February 7, 1941, 4 p. m., from Rio de Janeiro, it was reported that the Brazilian Foreign Ministry proposed to facilitate a meeting between the Peruvian and Ecuadoran Foreign Ministers by making available the Brazilian naval training ship *Saldanha Dagama*, then en route to Pacific Coast ports (722.2315/1403).

¹² Manuel de Freyre y Santander.

I replied to the Ambassador that I was appreciative of the friendly spirit in which this message was conveyed by his Government to the United States, but that I regretted to say that it seemed to me of a very negative character.

I said that the Ambassador and I both knew that the Government of Ecuador would never agree to fixing a temporary line between Peru and Ecuador based upon present military posts of both countries inasmuch as Ecuador would maintain that if this were done, Peru would postpone indefinitely any final settlement and would maintain for an indefinite period jurisdiction over territories claimed by Ecuador.

I said that I wanted to make it very clear to the Peruvian Foreign Minister, through the Ambassador, that this Government, while not intervening in any official way in the controversy, had done its utmost to counsel Ecuador to refrain from a public ventilation of the dispute which would result in exacerbation of tempers on both sides. I said that I likewise had counseled the Foreign Minister of Ecuador to postpone demanding the creation of a commission to be set up as a result of the Habana resolution¹³ since Peru had made an express reservation to the resolution and would, I knew, not agree to submit to the jurisdiction of the commission. But, I said, nevertheless this Government believed that the controversy over the boundary between Peru and Ecuador was the most serious element of danger today in the entire Western Hemisphere inasmuch as foreign agents could perhaps at a given moment stir up the controversy to such a point as to provoke an incident which might result in actual bloodshed. I said it seemed to us that it was in the highest degree necessary for the sake of the peace of the continent that the dispute be settled in an equitable manner by pacific means as soon as possible.

I stated that I was glad to receive the message from the Foreign Minister which emphasized the peaceful intention of Peru and I said this message confirmed, of course, the opinion this government had of the noble purposes and pacific policy of the Government of Peru. I said further that I had not discussed for at least four years the possibility of immediate arbitration of the dispute but that I had the utmost faith in the efficacy of Dr. Aranha, the Brazilian Foreign Minister, as an impartial friend of both sides who could unquestionably, through the exercise of his good offices, bring about a friendly, equitable and permanent settlement of the dispute. I said I knew of no other man in the Hemisphere today who was as well qualified

¹³ Fourteenth resolution, The Peaceful Solution of Conflicts, passed at the Second Meeting of Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940; for text, see Department of State *Bulletin*, August 24, 1940, p. 136. For Peruvian reservation, see *ibid.*, p. 144.

because of his innate ability, as well as because of the position he occupied, to render effectively this great service to the cause of peace in the New World. I expressed my very fervent hope that the Government of Peru and the Government of Ecuador would have resort to his services.

S[UMNER] W[ELLES]

722.2315/1426

The Ambassador in Peru (Norweb) to the Secretary of State

No. 898

LIMA, March 14, 1941.

[Received March 19.]

SIR: Referring to the Embassy's despatch no. 845 of February 19, 1941, and to the Department's airmail instruction no. 310 of March 8, 1941,¹⁴ which transmitted a memorandum of a conversation on February 28 between the Under Secretary and the Peruvian Ambassador in Washington regarding the Ecuador-Peru boundary dispute, I have the honor to report upon a conversation that I had yesterday with the Peruvian Minister for Foreign Affairs.

Dr. Solf y Muro informed me that there have been no recent developments in the boundary situation and that happily all is quiet in both countries. He said that this condition may be due in part to the fact that a good proportion of the territory in dispute is flooded at the present time so that any activity is almost impossible.

He told me that he had submitted a proposal to the Ecuadoran Minister of Foreign Affairs and that the new Ecuadoran Minister to Peru is supposed to bring a reply when he comes to Lima. The proposal embodied the following points: (a) both Governments should wipe out all that had been done during the year 1940 with respect to the boundary situation and should return to the conditions which existed in 1939; (b) the Mixed Commission might then discuss pending questions relating to the boundary situation, and during these discussions work might go forward looking toward a definitive solution; and (c) Peru at the same time would be disposed to cooperate with Ecuador on a program designed to improve relations between the two countries and to create an atmosphere favorable to a peaceful settlement of the boundary question.

. . . The Chief of Protocol informed us this morning that the Brazilian Government has requested the *agrément* for Pedro de Moraes Barros as Brazilian Ambassador to Peru.

Respectfully yours,

R. HENRY NORWEB

¹⁴ Neither printed.

722.2315/1433 : Telegram

The Ecuadoran Minister for Foreign Affairs (Tobar Donoso) to the Secretary of State

[Translation]

QUITO, April 6, 1941—8:10 p. m.

[Received April 7—1:30 p. m.]

The Ecuadoran Government has learned with pleasure of the conclusion of the frontier agreements which have been sealed by Colombia and Venezuela¹⁵ and by Panama and Costa Rica¹⁶ on definite bases of friendship, bringing their difficulties to an honorable conclusion, and on this singularly appropriate occasion wishes to manifest anew to the republics of the continent that it is disposed now as before to solve in an equitable and business-like form its controversy with Peru in a manner appropriate to peoples of the same historical origins and ancestry bound together by the epic ties of the emancipation in which they made their sacrifices for the conquest of liberty and called into a close union by the inter-dependence arising from their proximity itself, the complementary character of their economies and other fortunate and unavoidable circumstances. Our difference is the only one that still casts a shadow on America, impeding the republics in delivering themselves with absolute frankness and generous brotherhood to the needs of the common defense and of mutual cooperation. My Government consequently would not overlook any juridical method to attain that solution which is called for by the peaceful policy of the vigorous continent in this solemn moment in which only right can save the world, burning in an orgy of hate and violence. As has been repeatedly stated by Ecuador, it is ready to enter into direct arrangements with Peru if it is given guarantees of good faith in the negotiation, to take advantage of the eminently American recourse of arbitration, or to accept finally the friendly assistance of other governments which may desire to lend their fruitful cooperation to terminate the dispute. We do not exclude any recourse nor refuse any proposition compatible with the history and the nature of this annoying dispute. I hope that your illustrious Government will look with lively sympathy upon this attitude which reveals once more the confidence engendered by the community spirit of the American nations and their unanimous tendency in favor of reciprocal concord. With this assurance I reiterate to Your Excellency the expressions of my highest consideration.

JULIO TOBAR DONOSO

¹⁵ For text of boundary treaty between Colombia and Venezuela signed at Rosario de Cúcuta, April 5, 1941, see *British and Foreign State Papers*, vol. CXLIV, p. 748.

¹⁶ For text of boundary treaty between Costa Rica and Panama signed at San José, May 1, 1941, see *ibid.*, p. 751.

722.2315/1433: Telegram

The Secretary of State to the Chargé in Ecuador (Drew)

WASHINGTON, April 10, 1941—7 p. m.

53. I have received a telegram directly from the Ecuadoran Minister for Foreign Affairs, prompted by the recent Colombian-Venezuelan boundary agreement, expressing again the keen desire of the Ecuadoran Government for a settlement of the boundary dispute with Peru. This telegram appears to have been a circular to the foreign ministers of all of the other American republics. Please deliver the following acknowledgement for me to Dr. Tobar:

"I acknowledge the receipt of Your Excellency's telegram of April 6 and I share your pleasure on learning of the conclusion of agreements between certain of the other American republics for the settlement of their existing disputes. It is my hope that all disputes between the sister republics of the Americas may be settled promptly in an equitable and satisfactory manner."

HULL

722.2315/1435

The Peruvian Ambassador (Freyre) to the Secretary of State

WASHINGTON, April 10, 1941.

YOUR EXCELLENCY: In compliance with instructions received from my Government, I have the honour to enclose for Your Excellency's information the Spanish text of a message addressed by cable yesterday to the Minister of Foreign Affairs of Ecuador by the Peruvian Minister of Foreign Affairs, in reply to the transcription received from the Ecuadorean Foreign Minister of the Circular¹⁷ delivered by him to the Foreign Offices of America.

Please accept [etc.]

M. DE FREYRE Y S.

[Enclosure—Translation]

The Peruvian Minister for Foreign Affairs (Solf y Muro) to the Ecuadoran Minister for Foreign Affairs (Tobar Donoso)

LIMA, April 9, 1941.

To His Excellency, the Minister for Foreign Affairs of Ecuador, Quito.

I have the honor to acknowledge the receipt of Your Excellency's cablegram of yesterday in which you inform me of the text of the

¹⁷ See telegram of April 6, from the Ecuadoran Minister for Foreign Affairs, p. 219.

telegram which you have sent to the Ministries for Foreign Affairs of the American Republics. I must express to Your Excellency the energetic protest of my Government for the declaration contained in the telegram to which reference is made that your Ministry requires that it be given guarantees of good faith in the negotiations in order to enter upon direct arrangements concerning our boundary question. The phraseology used by Your Excellency is inconsistent with the obligations of mutual respect between states. If the act of Colombia and Venezuela is encouraging for America, its merit consists in the constitution of a manifestation of the cordial relations of the two Ministries and the expression of the public spirit of the two peoples maintained during their litigation in an atmosphere propitious to a settlement and promising a favorable result. I regret that this Ministry, which, despite the continual manifestations against Peru produced in Ecuador has carefully undertaken to institute friendly negotiations in a peaceful atmosphere, has not received a response corresponding to its well intentioned objective.

In manifesting to Your Excellency that the Ecuadoran Government will find Peru always disposed to develop its relations with the serenity necessary to a peaceful relationship, I take advantage of this opportunity to reiterate the expressions of my highest consideration.

SOLF Y MURO

722.2315/1458a : Telegram

*The Secretary of State to the Ecuadoran Minister for Foreign Affairs (Tobar Donoso)*¹⁸

WASHINGTON, May 8, 1941.

The Governments of Argentina, Brazil and the United States are deeply concerned by the continuance, particularly at a time when continental solidarity is vital, of the difficulties which for over a century have perturbed the relations between Ecuador and Peru.

The Governments of the two countries involved have given many proofs of their earnest desire to remove this cause of friction between them. They have been in almost constant discussion and negotiation over a period of many years in an effort to agree upon a common boundary. However, in spite of the fact that some progress has

¹⁸ The same, *mutatis mutandis*, on the same date, to the Peruvian Minister for Foreign Affairs (Solf y Muro). Beginning on April 24, 1941, reports were received that relations between Ecuador and Peru were becoming strained and that armed conflict over the boundary might develop. Following consultation between the Governments of Argentina, Brazil, and the United States, the offer of friendly services was made by the three Governments as set forth in this telegram.

been made and that the two parties have agreed to submit the matter to arbitration, it must be recognized that as of the present date the controversy contains serious possibilities of dangerous developments.

Other continents are aflame with hate and violence. Every day the theater of war extends to wider horizons.

Confronted with a crisis in world affairs of a magnitude heretofore totally unknown, the American Republics have frequently declared, and at the meeting of Foreign Ministers held at Habana in July 1940 reiterated, their irrevocable determination to omit no effort to prevent any controversy which might impair their solidarity. The continuance of any situation that results in the impairment of harmonious relations between two of the American Republics diminishes and undermines the strength of that solidarity.

Conscious of the desire of both the Government of Ecuador and the Government of Peru to settle their long-standing boundary dispute, as repeatedly evidence[d] by both countries, and impressed by the necessity, in this critical hour, of the American Republics drawing ever closer together in an unshakable determination to maintain unimpaired their peace, territorial integrity, and security, the Governments of Argentina, Brazil and the United States tender their friendly services in furthering the prompt, equitable and final settlement of the dispute to the Government of Ecuador and to the Government of Peru to be availed of by those Governments, together with the services of such other Governments as they are both desirous of inviting, in such manner as may be deemed appropriate and advantageous.

The Governments of Argentina, Brazil and the United States earnestly and sincerely hope that the Governments of Ecuador and Peru, appreciative of the high motives which have inspired this action, will give the proposal their most attentive and urgent consideration.

Accept [etc.]

CORDELL HULL

722.2315/1447½ : Telegram

The Ecuadoran Minister for Foreign Affairs (Tobar Donoso) to the Secretary of State

[Translation]

QUIRO, May 9, 1941—8 p. m.

[Received May 10—12:30 p. m.]

The Ecuadoran Government has had the honor of receiving a message in which Your Excellency so graciously communicated to it

that the Governments of the United States of America, Argentina and Brazil, motivated by the necessity, in this critical hour, of a closer *rapprochement* between the American Republics, disturbed by the continuation of the difficulties which for more than a century have disturbed the relations between Ecuador and Peru and fully cognizant of the desire of both parties to solve their ancient difference over boundaries, offered them friendly services together with those of any other Governments that it might seem desirable to invite in order to promote the prompt, equitable and final solution of this controversy. My Government, which concurs fully with the sentiments, desires and proposals expressed in this message and persuaded that this solution is, as Your Excellency says so eloquently, a vital factor for the unity and solidarity of the continent in this moment of disquieting expectations, and being under an obligation to show itself especially worthy of the motives of your pacific offer, accepts with pleasure the generous services of the illustrious Governments of the United States of America, Argentina and Brazil. I am honored in being able to assure the American Government of the gratitude of Ecuador and to applaud so fine an act of fellowship and high understanding of the necessities and destinies of America.

I trust fully that Peru is equally devoted to those same ideals of fraternity for the glory and benefit of the Continent and honor of our countries now called to a close-knit union and mutual aid for the future. And, [I believe] with absolute faith that the assistance of these Governments and that of others which might be designated will have the most complete and prompt success in the equitable and final solution of the controversy.

I present [etc.]

JULIO TOBAR DONOSO

722.2315/1503½ : Telegram

The Peruvian Minister for Foreign Affairs (Solf y Muro) to the Secretary of State

[Translation]

LIMA, May 13, 1941—1:10 a. m.

[Received May 13.]

The Government of Peru has received the cablegram in which Your Excellency is good enough to advise it that the Governments of the Argentine Republic, Brazil and the United States of America offer "their friendly services for the prompt, equitable and final settlement of the boundary dispute pending between Ecuador and Peru, in the hope of removing, under these grave circumstances, any situa-

tion which, by prejudicing "the harmonious relations between two sister republics, may diminish or undermine the strength of continental solidarity". My Government, highly appreciating these proposals, recalls that it is the second time that Argentina, Brazil and the United States of America have taken this position. In 1910, a serious condition of tension having been caused by the Ecuadoran rejection of the Spanish arbitration, the three countries succeeded in removing the danger of a conflict.¹⁹ They then asked for the withdrawal of the forces encamped on the frontiers and proposed the final settlement of the dispute through the mediation, which Ecuador rejected, affirming "that Ecuador is the only one who has to decide whether or not the dispute with Peru affects her vital interests, the national honor and the sovereignty of the State itself". According to the Ecuadoran Government direct arrangements were the "most decorous means" and "most fitting for sister nations" to put an end to the dispute, "with no other judge than the good offices of our most illustrious and great friends." While noting these facts, which constitute the best proof that Peru is not responsible for the prolongation of the dispute, my Government must re-state, in the first place, the unwavering juridical position of my country of respect for the popular will from which our nationalities emerged, the basic principle in the argument maintained by Peru in the arbitration proceedings at Madrid and repeated in the Washington conferences. It is therefore an unavoidable duty to declare that my Government cannot admit that, at any time, the sovereign rights of Peru over the provinces of Tumbes, Jaén and Mainas which, in 1821, swore the independence of Peru under the aegis of General San Martín and which afterward participated in the definitive establishment of the Peruvian State, and have been represented in the congresses of Peru up to the present time, be made a matter of argument. Peru is disposed to settle her boundary dispute, but not to admit a controversy concerning the nationality of provinces which have been a part of Peru for 120 years, and in which are large Peruvian populations which have expressed their energetic protest against the separatist claims of Ecuador. Peru's position is one of most fervent adherence to peace, but she demands, also, respect for her international personality. To discuss the nationality of three Peruvian provinces or merely to begin with an assumed right to do so would imply the intention to disintegrate the personality of Peru, formed by her constituent parts since her independence, to revise the work of American independence and the principles of obedience to the popular will in the formation of na-

¹⁹ See *Foreign Relations*, 1910, pp. 438 ff.

tionalties and to introduce a grave confusion in the international order, which is based on respect for the personality of States fixed by their sacred initial constitution. The situation created by regrettable incidents which lead the friendly Governments to fear "the possibility of dangerous developments" will readily disappear, as has happened on previous occasions, with the simple observance of Ecuador of the *status quo* guaranteed by agreements concluded since independence. In consonance with the principles stated, which Your Excellency will properly appreciate, the Government of Peru accepts the good offices offered by the Governments of Argentina, Brazil and the United States of America, to the end that the atmosphere of cordiality and sincere collaboration between the two countries may be restored.

I avail myself [etc.]

ALFREDO SOLF Y MURO

722.2315/1469 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, May 16, 1941.

100. Your 176, May 15, 2 p. m.²⁰ The Secretary this afternoon issued the following statement to the press:

"In response to an inquiry as to the reaction in Peru to the offer of the Governments of Argentina, Brazil and the United States of their friendly offices in order to bring about a definitive solution of the Ecuador-Peru boundary dispute, the Secretary today made the following statement:

'I am glad to have the opportunity of reiterating once again that this Government was motivated in offering to Ecuador and Peru its friendly offices solely by the most friendly desire to assist in settling, once and for all, the long-standing boundary dispute between those two neighboring countries. This Government is happy to have been associated with the Governments of Argentina and Brazil in this tender of friendly offices.

In some quarters it has been insinuated that this Government participated in this friendly initiative in order to obtain bases on the Galápagos Islands.²¹ I wish to take this opportunity to state categorically and definitely that the United States has not, in any way, discussed with Ecuador the question of bases on the Galápagos Islands. Moreover, the willingness of this Government to consider making available to Ecuador two coastal patrol vessels and military supplies has absolutely no relation to the offer of friendly good offices but derives solely from a general policy of this Government made known to each and every one of the American Republics, to cooperate insofar as possible in military and naval matters for the purpose of strengthening the defense of the Western Hemisphere.'

HULL

²⁰ Not printed.

²¹ For correspondence regarding interest of the United States in the Galápagos Islands, see *Foreign Relations*, 1940, vol. v, pp. 850 ff.

722.2315/1454 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery) ²²

WASHINGTON, May 16, 1941—7 p. m.

310. From the Under Secretary. Your 396, May 2, 8 p. m.^{22a} Both the Government of Ecuador and the Government of Peru have addressed messages to the three Governments tendering their friendly services accepting the offer. In its reply the Peruvian Government made several far-reaching reservations, but in a strictly confidential message addressed to this Government by the Government of Ecuador²³ the latter Government expresses the opinion that these Peruvian reservations should not be regarded as an obstacle which would prevent the Governments of Argentina, Brazil, and the United States from proceeding in their efforts to further the settlement of the boundary dispute.

In the opinion of this Government the most expedient procedure for the three Governments to adopt would be to regard the two messages of acceptance from Peru and Ecuador as satisfactory since it is feared that if any attempt is made by the three Governments to obtain a more favorable reply from Peru, the latter will claim that pressure is being exercised upon it which is not consonant with its national sovereignty and dignity, and that consequently a situation might result which would make it impossible for the three Governments to interpose their good offices with a view to resolving the dispute. It would seem probable that ways and means could later be found to resolve the difficulties created by the Peruvian reservations. I have given very careful consideration to the views expressed by the Argentine Government in this regard, but I am glad to say that, availing myself of the presence in Washington of the new Argentine Minister for Foreign Affairs,²⁴ I found he fully shares my views in this regard and that he has cabled his Government accordingly. I have likewise consulted the Brazilian Ambassador who is also in accord.

As a result of an exchange of views held today between Ruiz Guiñazú, the Brazilian Ambassador, and myself, we suggest that the following message be now sent without further delay by the three Governments to the Governments of Ecuador and Peru.

[Here follows the text of message sent on May 20, printed on page 228.]

Both the Brazilian and Argentine Ambassadors are submitting the

²² The same on the same date to the Ambassador in Argentina as telegram No. 252 in reply to his telegram No. 438, May 14, 6 p. m. (not printed).

^{22a} Not printed.

²³ Not found in Department files.

²⁴ Enrique Ruiz Guiñazú.

text of this suggested message by telegram to their respective Governments to ascertain whether the suggested text is approved.

Please ascertain personally of the Foreign Minister whether the suggested step is in fact agreeable to him and telegraph the Department as soon as possible since it would be desirable that this new message be sent simultaneously from the three capitals.²⁵ I would suggest tentatively that the suggested message, if approved, should be sent from the three capitals at 10 a. m. on the morning of Tuesday, May 20. [Welles.]

HULL

722.2315/1491

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] May 20, 1941.

The Ambassador of Brazil left with me the attached memorandum which he had just received from Foreign Minister Aranha.

I asked the Ambassador to let Dr. Aranha know that I was heartily in accord with his own views as expressed in this memorandum but that I felt it was very important that some place be agreed upon where representatives of the three friendly Governments as well as representatives of Peru and Ecuador could meet in the near future so as to give both Peru and Ecuador the assurance that something practical was being done. Once this step had been taken, I said, the soundings and confidential conversations back and forth could take place in accordance with Dr. Aranha's suggestions.

The Ambassador said he entirely agreed with my own point of view and that he would inform Dr. Aranha accordingly.

S[UMNER] W[ELLES]

[Annex—Telegram—Translation]

*The Brazilian Minister for Foreign Affairs (Aranha) to the Brazilian
Ambassador (Martins)*

[Extract]

[RIO DE JANEIRO,] May 20, 1941.

I approve the text of the telegram of appeal to be sent tomorrow to the Foreign Ministries of the Governments of Ecuador and Peru,

²⁵ The Ambassadors in Argentina and Brazil reported that such a message would be sent by the Argentine and Brazilian Foreign Offices.

on the understanding, however, that the tripartite action of the Governments of Brazil, the United States, and Argentina can attain some success now only if it is directed toward establishing a *modus faciendi* to be followed subsequently, since Peru, in its telegram of the 13th of this month, does not accept discussion of the main issue, declaring that it would accept good offices only for the purpose of restoring the atmosphere of sincere cooperation between the litigants. After reaching agreement on the procedure to be followed, the three countries would seek in confidential negotiations a formula that would reconcile the views of the parties.

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722.2315/1489a : Telegram

*The Secretary of State to the Ecuadoran Minister for Foreign Affairs
(Tobar Donoso)*²⁶

WASHINGTON, May 20, 1941.

The Governments of Argentina, Brazil, and the United States have received with deepest satisfaction the favorable replies of the Governments of Ecuador and Peru to the offer of the three Governments of their friendly services in furthering a prompt, equitable, and final settlement of the existing boundary dispute between the Governments of Ecuador and of Peru.

It is a matter of particular gratification to the Governments which have offered these friendly offices to learn that this offer has been accepted.

It is the intention of the three Governments to offer in the immediate future to the Governments of Ecuador and of Peru suggestions as to the most practical method for the holding of conversations between representatives of the parties to the dispute, and representatives of the three Governments tendering their friendly services, with a view to the reaching of an expeditious agreement for the final and equitable settlement of the controversy.

In the meantime, the Governments of Argentina, Brazil, and the United States in the most friendly manner express their earnest hope that no step may be taken by either of the two Governments involved

²⁶ The same on the same date to the Peruvian Minister for Foreign Affairs (Solf y Muro).

in the controversy which might cause any deterioration in the existing relations between the two neighbor countries.

I avail myself [etc.]

CORDELL HULL

722.2315/1576 : Telegram

The Ecuadoran Minister for Foreign Affairs (Tobar Donoso) to the Secretary of State

[Translation]

QUITO, May 21, 1941—10:50 a. m.

[Received May 21.]

The Government of Ecuador has had the honor to receive the message with which Your Excellency is good enough to express the deep satisfaction with which the Governments of Argentina, Brazil and the United States of America have received the replies of acceptance of the Governments of Ecuador and Peru to the offer of their friendly services to promote the prompt, equitable and final settlement of the boundary dispute which exists between Ecuador and Peru. Consistent with its initial acceptance, my Government is disposed to give prompt attention to the suggestions which, as Your Excellency informs me, the three Governments which have offered their friendly services will propose with regard to the most practical method for holding conversations between the representatives of the parties to the dispute and those [the representatives]²⁷ of the former [Governments]²⁷ with the purpose of obtaining a prompt arrangement for the final and just settlement of the controversy. My Government, moreover, expresses to Your Excellency that, as is demanded by the solidarity of America and the gravity of its problems at the present time, it agrees with the desire expressed in the last part of Your Excellency's cablegram that neither of the Governments involved in the controversy should take steps that may prejudice the relations existing between the two countries.

Thanking Your Excellency for your important communication, I take pleasure in reiterating the purpose of the Government of Ecuador of facilitating the noble action initiated by the enlightened Governments of Argentina, Brazil and the United States of America in order that the unsettled territorial dispute may be terminated definitively.

I renew [etc.]

JULIO TOBAR DONOSO

²⁷ Brackets appear in the file translation.

722.2315/1489: Telegram

*The Peruvian Minister for Foreign Affairs (Solf y Muro) to the
Secretary of State*

[Translation]

LIMA, May 23, 1941—10:07 p. m.

[Received May 24—4:55 a. m.]

I have the honor to refer to Your Excellency's courteous cablegram of the 20th instant, in which you are good enough to inform me that the Governments of Argentina, Brazil and the United States have received with satisfaction the replies of Peru and Ecuador to the offer which they made to the Governments of the latter countries in their cablegram of the 8th instant. The good offices having been accepted in my Government's reply of the 12th [13th] instant "to the end that an atmosphere of cordiality and sincere cooperation between the two countries may be reestablished", Peru will give due consideration to suggestions directed toward this end, but it deems that joint conversations of the representatives of the interested countries and of the friendly countries making the offer are not in harmony with the institution of good offices, a form which would be characteristic of a mediation, which Peru has not accepted. The Government of Peru thinks that the immediate discussion of the boundary difference would heighten the tension between the two countries, producing, precisely, the contrary effect to that which the friendly Governments propose to secure. The supreme purpose which ought to be sought at this time is the creation of an atmosphere of pacification and concord, basis of the effective solidarity which is demanded by the period through which America is passing and which would not be compatible with a hasty solution of the problem. The insuperable obstacle which has hitherto prevented reaching an agreement on the boundary dispute is the insistent Ecuadoran attitude of controverting the nationality of the provinces of Tumbes, Jaén and Maynas which form an integral part of Peru of their own free will, reiterated throughout our life as a Republic, consecrated by the principles which inspired the emancipating revolution and which are recognized by universal public law. In the face of this attitude Peru has taken the immutable position fixed in my previous note, a position which would be taken by any people conscious of its national unity. Peru, which has respected the *status quo* and which has maintained absolute serenity in the face of the Ecuadoran agitation of recent months, will continue the same line of conduct, accepting the suggestion which Your Excellency makes at the close of the cablegram to which I replied. Likewise Peru is disposed to subscribe to a juridical instrument guaranteeing peace

between the two countries and establishing a regime of effective co-operation until an opportunity arises to obtain a settlement of the difference. Thus the noble purpose will be satisfied which is expressed by the friendly countries of removing any situation which, by injuring the harmonious relations between two sister Republics, may diminish or undermine the strength of continental solidarity.

I avail myself [etc.]

ALFREDO SOLF Y MURO

722.2315/1570a : Telegram

*The Acting Secretary of State to the Ambassador in Peru (Norweb)*²⁸

WASHINGTON, July 8, 1941—8 p. m.

167. The Governments of Argentina, Brazil, and the United States have agreed to instruct their diplomatic representatives in Lima and in Quito to request joint interviews with the Minister for Foreign Affairs of the countries to which they are accredited. Please consult at once with your Argentine and Brazilian colleagues and, in agreement with them, request a joint interview with the Minister for Foreign Affairs. At this interview you will state the views that follow hereafter as quoted from a memorandum agreed to by the three Governments:

“At these interviews the representatives of Argentina, Brazil and the United States would first refer to the good offices tendered by the three Governments to the Governments of Ecuador and of Peru in order that they might assist in preventing the outbreak of exactly the kind of hostile incident which has now unfortunately broken out in connection with the boundary dispute.²⁹

They would next state that both Governments accepted these good offices.

They should next remind the Minister for Foreign Affairs that the three Governments had expressed the earnest hope that the Governments of Ecuador and of Peru would take every necessary step to prevent the outbreak of hostile incidents and an aggravation of the dispute.

They should then say that official communications have been received from both the Government of Ecuador and the Government of Peru claiming that the outbreak of the present hostilities was due to the other party to the dispute. On the basis of the information now available to the three powers tendering their good offices, it will be impossible to form any final opinion as to the merits of these claims.

It would seem that the only sure way of preventing an aggravation of the present hostilities and a recurrence of these incidents would be

²⁸ A similar telegram was sent on the same date to the Minister in Ecuador as telegram No. 110.

²⁹ On July 5, 1941, reports were received of incidents of armed conflict between Ecuador and Peru in border regions.

for the withdrawal by each Government of its military forces a distance of 15 kilometers from the line of the so-called *status quo* tacitly recognized previously by both Governments. Over this area the airplanes of neither party to the dispute would pass.

If these suggestions are acceptable to the two Governments, it is urged that the Governments of Ecuador and Peru immediately sign a declaration of friendship and agree to maintain their military forces behind the lines to which they have withdrawn in accordance with the stipulation in the previous paragraph. Moreover, for the purpose of assuring the effective and prompt withdrawal of the military forces of each country from the line of the so-called *status quo*, military attachés of the American countries in the two capitals or other military experts will be instructed to collaborate with the authorities designated by the Governments of Ecuador and of Peru. All further assistance will be offered in every other practicable way in order to expedite a prompt cessation of the existing hostilities.[""]

WELLES

722.2315/1570b : Circular telegram

The Acting Secretary of State to Diplomatic Representatives in the American Republics Except Argentina, Brazil, Ecuador, and Peru

WASHINGTON, July 8, 1941—9 p. m.

In company with your Argentine and Brazilian colleagues please seek a joint interview with the Minister of Foreign Affairs of the country to which you are accredited and convey to him the message that follows hereafter. In the countries where there are no representatives of Argentina and Brazil you should state that the views you are expressing hereafter have been agreed upon by the Governments of Argentina, Brazil and the United States:

“1. The present incident between Peru and Ecuador serves to explain the celerity with which Argentina, Brazil and the United States were led to act on the 8th of May, ultimo, in offering their services to Ecuador and to Peru.

2. The aggravation of the situation which led to that offer has now demonstrated the necessity of even more ample, common and solidary action on the part of all of the Americas for the purpose of terminating honorably an incident which threatens to spread ever more and to jeopardize the peace of these two peoples and of continental unity and safety.

3. Animated by the same motives which determined their initial offer to Ecuador and to Peru and relying upon the sentiments of these two brother peoples, they suggest a joint effort on the part of all of the American countries with the object of reestablishing the harmony of our continent, and as a first step they have the honor to submit the terms which they have addressed to Ecuador and Peru, and which they hope will be supported by the Government of Your Excellency.”

The terms referred to in the previous paragraph are quoted here-

after from the instructions sent by the three governments to their representatives in Lima and Quito.

“(Here quote last two paragraphs in telegram to Lima.³⁰)”

WELLES

[Serious fighting in the border regions broke out on July 23, 1941. An agreement was reached for the cessation of fighting on July 31 but sporadic hostilities occurred later. Activities of the three mediating Governments, Argentina, Brazil, and the United States, centered on efforts to prevent further conflict and to secure the withdrawal of armed forces from territory into which they had advanced. Observers were sent by Argentina, Brazil, and the United States to the area of conflict. Correspondence on these aspects of the dispute not pertinent to the boundary settlement itself, is not here printed.]

722.2315/2187

*Memorandum Regarding a Settlement With Ecuador Handed by the Peruvian Minister for Foreign Affairs to the American, Argentine, and Brazilian Ambassadors in Peru, September 13, 1941*³¹

[Translation]

1. Recognition by Ecuador of Peruvian territorial sovereignty bounded by the line running from the Pacific Ocean to the Chinchipe River and the pass of San Francisco, according to the attached description, in accordance with the traditional dominion of Peru.

2. Direct negotiations between the two countries concerning the territory included between the line described in the foregoing paragraph and the line of Peru's claim, which was made before the Spanish arbitrator.

3. Recognition by Ecuador of Peruvian sovereignty in the eastern region as far as Peru's present jurisdiction extends, which is comprised within the extent of its legitimate domain, according to the attached description.

4. Direct negotiations between the two countries concerning the territory extending between the line described in the foregoing paragraph and the line of Peru's claim, which was made before the Spanish arbitrator.

5. Once the foregoing points have been accepted by Ecuador and their fulfillment guaranteed by the friendly countries, the territory of the province of El Oro beyond the line designated in paragraph no. 1, will be evacuated by Peru, remaining demilitarized under the supervision of the observers from the countries mentioned.

³⁰ No. 167, July 8, 8 p. m., p. 231.

³¹ Transmitted to the Department by the Ambassador in Peru as enclosure to his despatch No. 1752, September 16, 1941; received September 20.

6. If, after the points of this agreement have been accepted by Ecuador, the agreement is not made into a treaty within a period of six months, Peru shall take such steps as it may deem advisable.

7. The reimbursement of Peru for expenses incident to its occupation of the province of El Oro shall also be the subject of the negotiation referred to in paragraph no. 2.

722.2315/2301 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, October 3, 1941—9 a. m.

[Received 11 : 20 a. m.]

523. The following telegram has been received from the six neutral observers from Talara.

“October 2, midnight. Peruvian and Ecuadoran delegates have reached an agreement³² which they have signed jointly with the six neutral observers. This agreement provides principally:

1. A neutral zone between the lines:³³ Peruvian: Punta Arenas, Rio Salado, El Guabo, Pitahuiña, Limón Playa, Panupali, Puente Puyango (exclusive), Rio Puyango, Quebrada Cazaderos, El Salto, Quebrada Pilares, Rio Macará, Rio Calvas, Rio Espíndola. Ecuadoran: Punta Mandinga, Balao, Tenguel, Rio Tenguel, Pucará, Hacienda Abañin, Guanazán, Buenaventura, Celica, Guayacán, Sozoranga, Cariamanga, Amaluza, Zumba, Chito.

2. All armed forces shall be removed from this zone, it will be under the observation of the neutral observers, civil police therein will be under the supervision of the neutral observers and civil practice will continue therein.

3. That acceptance of this is only for the purpose of demilitarization and no question of sovereignty or possession will arise therefrom. Agreement effective noon October 5th. We will bring the full texts agreement to Lima and Quito tomorrow. Please repeat to Quito.”

The Argentine Ambassador will telegraph the Argentine Minister at Quito.

NORWEB

722.2315/2301 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, October 5, 1941—3 p. m.

386. Your 523, October 3, 9 a. m. The Department is delighted that a demilitarized zone has been established and the lines of the Peruvian and Ecuadoran armies defined through agreement between the Peruvian and Ecuadoran military authorities. It is the Department's hope that this agreement will preclude the repetition of hostile

³² For text, see *Memoria del Ministro de Relaciones Exteriores, July 1941–July 1942* (Lima, 1943), p. 204.

³³ Names of following places corrected on basis of enclosure to despatch No. 1901, October 6, from the Ambassador in Peru (722.2315/2390).

incidents between the opposing forces, and will thus contribute to the successful continuation of efforts to restore peaceful conditions in the frontier area.

The Department is confident that the agreement mentioned above in no way conflicts with the views expressed in the Department's 356, September 23, 2 p. m.³⁴

HULL

722.2315/2445

The Ambassador in Peru (Norweb) to the Secretary of State

No. 1979

LIMA, October 15, 1941.

[Received October 21.]

SIR: Referring to recent despatches and telegrams, I have the honor to report further regarding possible explorations looking toward a definite settlement of the boundary dispute between Peru and Ecuador.

As I have reported, several Peruvian officials recently have expressed to my Argentine and Brazilian colleagues and me the earnest hope that the three friendly countries may be able to propose a workable formula in the near future with respect to the boundary conflict. There is increasing talk of the possibility of reaching a definitive agreement upon the basis of the *status quo* line of 1936. Both the Argentine and Brazilian Ambassadors appear to be confident that there are chances for successful negotiations on this basis.

Since we are not informed regarding conversations which have taken place at Washington, Rio de Janeiro and Buenos Aires, the Department's comment and instructions would be appreciated. A first step might be for the three Ambassadors at Lima and the three Ministers at Quito to undertake informal exploratory conversations to ascertain if the Peruvian and Ecuadoran Governments would be disposed to initiate direct negotiations for an agreement upon a definitive boundary approximating the *status quo* line of 1936. If this is to be done, it would be well to impress upon both parties to the dispute the desirability of presenting minimum rather than maximum claims for modifications in the 1936 line.

There is enclosed a memorandum of a conversation³⁴ which took place yesterday between Dr. Bellido, Secretary General of the Foreign Office, Dr. Echeopar, Chief of the Boundaries Office of the Ministry for Foreign Affairs, and Mr. Butler, First Secretary of the Embassy. While it was understood that all of the views expressed during this conversation were personal and unofficial, the opinions of Dr. Bellido may be regarded as carrying substantial weight in matters relating to the conduct of Peruvian foreign affairs.

Respectfully yours,

R. HENRY NORWEB

³⁴ Not printed.

722.2315/2445 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, October 22, 1941—7 p. m.

416. Your 554, October 17, 6 p. m.,³⁶ and despatch no. 1979 of October 15. The Department does not believe it would be advisable to interject any new proposals into the mediation at this time. However it perceives no objection to your conducting informal exploratory conversations with regard to the possibility of a definitive settlement on the approximate basis of the 1936 *status quo* line. It feels that these informal exploratory talks should be confined for the time being to those you have in Lima and not be extended to Quito.

As you were informed in the Department's 408 of October 20, 2 p. m.,³⁶ Benavides is reported to have informed the Argentine Foreign Minister that the Peruvian Government is devising a formula for settlement which will soon be submitted to the representatives of the three mediatory powers at Lima. Conceivably, in the light of the statements made by Bellido to Butler on October 14, this formula may contemplate the initiation of direct negotiations between the Peruvian and Ecuadoran Governments for agreement on a definitive boundary approximating the *status quo* line of 1936.

Your comment will be appreciated.

HULL

722.2315/2486 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, October 30, 1941—11 a. m.

[Received 2:20 p. m.]

578. After two interviews with the Peruvian Minister for Foreign Affairs to discuss steps to carry forward the boundary dispute negotiations, my Argentinian and Brazilian colleagues and I are informing our Governments as follows:

The Foreign Minister informed us that his Government desires to find a solution with our cooperation. Prisoners will be returned within a few days and there will be drafted a communication demonstrating good will, in order to create a favorable atmosphere. We further suggested that it might be possible to reduce the Peruvian forces in the north.

As concerns the problem of the boundary, the Peruvian Foreign Office prefers to handle the question confidentially through diplomatic channels since it fears the failure of a conference or formal meeting where the two parties might adopt extreme and perhaps irreconcilable positions. My colleagues and I have reason to believe that we will be able to make progress along these lines.

³⁶ Not printed.

It would be helpful to urge the Ecuadoran Government to cooperate in the creation of a favorable atmosphere, taking advantage of the opportunity offered by the return of prisoners.

NORWEB

722.2315/2486 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, October 30, 1941—noon.

[Received 7 p. m.]

579. My telegram No. 578, October 30, 11 a. m. The Peruvian Minister for Foreign Affairs told my Argentine and Brazilian colleagues and me that the 1936 *status quo* line would serve as a basis for exploratory conversations looking toward a definitive settlement, although he said that there might be some difficulty because Peru must insist upon retaining Andoas on the Postaza River and Rocafuerte [on the?] Napo. He added that, of course, Peru would extend free navigation facilities to Ecuador and we emphasized that the latter country should have such facilities and that they should be based upon navigation at the time of the low water mark.

The Minister stated that it should be possible to reach an agreement within the next 3 months and added that if this were not done he did not know when it could be accomplished. Thus Peru has reversed its former position and now professes to desire an early and definitive settlement. My colleagues and I are convinced that the Peruvian Government does not wish to make a specific proposal but hopes that the three friendly countries can assist in explorative conversations that will bring the two parties together in an effort to reach agreement through compromise on minimum rather than on maximum claims.

The Peruvian attitude was confirmed in general by President Prado during a conversation yesterday with the Brazilian Ambassador.

In order to further the present effort my colleagues and I agreed that the Argentine Ambassador would approach the Ecuadoran Minister in Lima discreetly and attempt to ascertain if the presence in Lima of the Peruvian Minister to Ecuador may be in connection with direct negotiations between Peru and Ecuador and if so, how our own efforts may contribute to such a move. The Argentine Ambassador also might be able to obtain from the Ecuadoran Minister some indication about the minimum claims of Ecuador in order that we may compare these with the Peruvian views about the 1936 line.

It is suggested that during the next few weeks the efforts being made in Lima would be greatly facilitated if the situation at Quito

is handled with special tact. Perhaps it would be wise for action at Quito to be directed principally toward creating a favorable atmosphere; and it would be most helpful if discussion of alleged minor incidents, of the demilitarized zone and of the organization and activities of the observers could be restricted to the minimum necessary to assure compliance with the essential terms of the Talara Agreement.

NORWEB

722.2315/2489 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, October 31, 1941—4 p. m.

[Received 6:40 p. m.]

584. My telegram No. 579, October 30, noon. The Argentine Ambassador was told by the Ecuadoran Minister to Peru that the presence at Lima of the Peruvian Minister to Ecuador is not related to direct boundary negotiations since no such negotiations are in progress. The Ecuadoran Minister expressed the opinion that the 1936 line would be most satisfactory to Ecuador as a basis for discussions but that if concessions were made to Peru at some points Ecuador would want compensation without *putuma traduce* [*sic*]. He will report confidentially to his Government regarding his conversation with the Argentine Ambassador and inform the latter of any Ecuadoran views received in reply.

Unless the Department insists on [*or?*] the Foreign Offices of Argentina and Brazil instruct to the contrary my colleague[s] and I will continue our conversations with the Peruvian Minister for Foreign Affairs and our informal soundings with the Ecuadoran Minister.

NORWEB

722.2315/2485 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, October 31, 1941—5 p. m.

437. From the Under Secretary. Your 578, October 30, 11 a. m. The news contained in your telegram is encouraging. I have spoken this morning with the Ambassador of Ecuador urging that his Government cooperate in the sense indicated in the last paragraph of your telegram under acknowledgement as soon as some concrete opportunity is afforded, such as the return of prisoners. He felt sure that his Government would work along these lines. [Welles.]

HULL

722.2315/2489 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, November 2, 1941—3 a. m.

439. From the Under Secretary. Your 584, October 31, 4 p. m., and Department's 438, November 2, 2 a. m.³⁷ The Department of course considers it in the highest degree desirable for you and your Argentine and Brazilian colleagues to continue your conversations with the Peruvian Minister for Foreign Affairs so as to make it evident that the representatives of the powers which have tendered their good offices are operating as intermediaries in the prospective negotiations. Your informal discussions with the Minister of Ecuador are obviously of great value as supplementary thereto. [Welles.]

HULL

722.2315/2541 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, November 14, 1941—4 p. m.

[Received 6:25 p. m.]

610. Department's telegram No. 457, November 13, 9 p. m.³⁸ My Argentine and Brazilian colleagues and I have been working for the past few days on the question of the return of prisoners. We are now confident of successful results next week, which will create a more favorable atmosphere for the next step.

My conversation with the President on November 9 gave an opportunity to discuss the boundary dispute. My strictly confidential despatch number 2155 of November 11³⁸ went forward in the air mail pouch from Lima on November 12. In general, it appears that Peru would be satisfied with the Zarumilla River-Chinchipec River line in the west, but does not agree to take the 1936 *status quo* line as the basis of negotiations because of substantial modifications, that Peru feels it must insist upon in the Oriente.

The President believes that the three friendly Governments should ascertain Ecuadoran views in order to determine what the next step can be. Subsequent to the negative information contained in my despatch number 2104 November 5,³⁸ the question has been reopened with the Ecuadoran Minister in Lima and he has promised to try to obtain informally for us the views of his Government. Our difficulty here is to persuade Peru to accept the 1936 line as the basis for negotiations. My colleagues and I feel that it is only upon this basis

³⁷ Latter not printed.³⁸ Not printed.

that it will be possible for us to work toward a settlement which will not be affected by the occupation of territory resulting from recent hostilities.

My Brazilian colleague has requested his Foreign Minister when the latter returns from Santiago to Rio de Janeiro to talk with Ambassador Benavides in Buenos Aires about the desirability and importance of accepting the 1936 line as a basis for exploratory conversations. My Argentine colleague is going to suggest to his Foreign Minister that the latter take similar action.

NORWEB

722.2315/2541 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, November 17, 1941—8 p. m.

461. From the Under Secretary. With reference to your letter of November 11³⁹ and telegram 610, November 14, 4 p. m., and if you and your Brazilian and Argentine colleagues perceive no objections, I propose in company with the Argentine and Brazilian Ambassadors in Washington to inform the Ecuadoran Ambassador in utmost confidence of the statements made to you by President Prado concerning negotiations for a settlement. We will request him to ascertain if his Government is willing to negotiate on the basis of the 1936 *status quo* line in the western sector and some modification thereof in the Oriente. It is my suggestion that for reasons of practical convenience communication with the Ecuadoran Government by the mediators be made in this fashion at least for the time being. Please telegraph your reply urgently. [Welles.]

HULL

722.2315/2555 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, November 18, 1941—1 p. m.

[Received 2: 15 p. m.]

618. For the Under Secretary. Your telegram 461, November 17, 9 [8] p. m. My Argentine and Brazilian colleagues think the move is a desirable one but they wish to have the Argentine and Brazilian Ambassadors at Washington clearly understand that the Peruvian view is that the 1936 *status quo* line can serve as a basis but with substantial modifications in favor of Peru in the Oriente (Andoas and Rocafuerte).

³⁹ Not printed.

We are agreed that for political reasons no mention should be made of President Prado, but his statements could be used as representing the views of the Peruvian Government.

NORWEB

722.2315/2555 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, November 19, 1941—7 p. m.

469. From the Under Secretary. Your 618, November 18, 1 p. m. The Argentine and Brazilian Ambassadors and I conferred this afternoon with the Ambassador of Ecuador.

We informed the Ambassador that as a temporary measure of convenience it was believed that it would be helpful if we could utilize his good offices in order to communicate secretly to the President and Foreign Minister of Ecuador information received from the three Ambassadors in Lima regarding the present disposition of the Government of Peru with regard to the boundary dispute. We therefore requested the Ambassador to transmit to the President of Ecuador the following information. From authoritative sources in the Peruvian Government it appeared that the Government of Peru desired to negotiate a permanent and complete settlement of the boundary controversy. It further appeared that the Government of Peru would be satisfied to adopt as the basis of negotiations the line of the Zarumilla River-Chinchipec River in the West. It would desire to negotiate on the basis of substantial modifications of the 1936 *status quo* line in the East, these substantial modifications involving the obtaining by Peru of Andoas and Rocafuerte.

The Ambassador at once inquired whether, in return for these concessions sought by Peru in the eastern part of the *status quo* line, the Government of Peru would be willing to make offsetting concessions. We replied to the Ambassador that the three Ambassadors in Lima had no official communication from the Government of Peru on this point but that he might inform his Government for its confidential information that an observation to this effect had been made to the Government of Peru by one of the three Ambassadors.

The Ambassador then inquired whether the Government of Peru was prepared to withdraw its troops back to the 1936 *status quo* line. He was told that this of course was one of the points already insisted upon by the mediatory powers but that the Government of Peru had not as yet given any final answer to the request in question.

It was emphasized that the communication made to the Ambassador of Ecuador today was in the nature of a secret sounding for the purpose of ascertaining what the views of the Government of Ecuador might be with regard to the possibilities mentioned.

The Ambassador stated that he would at once communicate secretly and solely for the information of his President and Minister for Foreign Affairs the communication conveyed to him. [Welles.]

HULL

722.2315/2560 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, November 21, 1941—7 p. m.

[Received 10:30 p. m.]

1307. For the Under Secretary. The Minister for Foreign Affairs has just informed me that as a result of a talk with Aranha this morning they are in agreement as to the advisability of having Chile included in the negotiations for a definitive settlement of the Peru and Ecuador dispute. He had received from Espil yesterday a telegram [apparent omission] your information that Peru has now agreed to negotiations for a final settlement and both he and Aranha felt that Chile's interest in the Pacific justified its inclusion in the final negotiations which would presumably be held in Buenos Aires. Aranha felt that Chile would accept if invited.

If you are in agreement as to inclusion of Chile, Ruiz Guíñazú suggested that matter be taken up with Peruvian and Ecuadoran Governments through representatives of the mediatory Governments at Lima and Quito. If both Governments agree invitation to Chile would then be extended through the three Ambassadors at Santiago.

A telegram is being sent to Espil tonight asking him to take this matter up with you. Telegram will also give Aranha and Ruiz Guíñazú's ideas of general lines Ecuadoran negotiations might follow with view to final settlement.

ARMOUR

722.2315/2562 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, November 22, 1941—4 p. m.

[Received 6 p. m.]

627. For the Under Secretary. My telegram No. 610 November 14, 4 p. m. The Brazilian Ambassador has informed the Argentine Ambassador and me and is reporting to his Government regarding a conversation he had with the President yesterday. The President repeated his conviction that the three mediatory Governments can effectively aid Peru and Ecuador to reach a rapid and definitive solution of the boundary dispute. Prisoners will be liberated soon and a conciliatory official communication will be published at the time

as a first step in creating a favorable atmosphere for the continued efforts of the friendly Governments. The President promised the Brazilian Ambassador to initiate a press campaign by means of official statements which would have a calming effect and which would prepare public opinion for the acceptance of a possible solution upon a realistic basis. Internal political factors prevent the Peruvian Government from assuming responsibility for agreeing without qualification to the *status quo* line of 1936 as a basis for negotiations in the Oriente.

The Brazilian Ambassador reports that after more than 2 hours of conversation with the President he is convinced that if the three friendly Governments can obtain the agreement of Ecuador to the formula recently suggested to the Ecuadoran Ambassador at Washington by the representatives of the three friendly countries a decisive step will have been taken toward a rapid and definitive solution of the boundary dispute.

I asked the Brazilian Ambassador if he had mentioned to the President the matter of territorial compensation to Ecuador in the Oriente. The Ambassador replied that the President had evaded his question on this subject and had said that Peru does not like to use the word "compensation".

NORWEB

722.2315/2561 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, November 23, 1941.

[Received 4:49 p. m.]

628. Official communication announcing liberation of civilian and military prisoners published in press this morning.

Repeated to Quito.

NORWEB

722.2315/2578 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, November 24, 1941—4 p. m.

[Received 6:28 p. m.]

465. The following telegram has been sent to Lima:

November 24, 3 p. m. From three Ministers to three Ambassadors. The Ecuadoran communiqué with regard to the release of prisoners was published this morning. In addition the newspapers published a statement of the Minister of Foreign Affairs in which he expressed "his lively satisfaction with the conciliatory form in which the Peru-

vian statement was phrased, a statement which has been received with especial pleasure in Ecuador." In the same article the Foreign Minister is stated to have expressed the hope that this step would contribute to a solution of the controversy.

Press comment on the action of Peru has been uniformly favorable, and it has been received with widespread public satisfaction.

Repeated to the Department.

LONG

722.2315/2618a : Telegram

The Secretary of State to the Ambassador in Peru (Norweb).

WASHINGTON, November 29, 1941—7 p. m.

489. From the Under Secretary. Upon receipt by your Argentine and Brazilian colleagues of similar instructions, you are authorized to join with them in informing the Peruvian Foreign Minister that the three governments would be glad to see included jointly with them the Government of Chile in the tender of good offices.

At the same time it should be made clear that the Government of Ecuador has informed, through the Ambassador of Ecuador in Washington, the governments of Argentina, Brazil and the United States that in the event that Chile is added to the three governments now undertaking good offices, the Government of Ecuador desires that the Government of Mexico be likewise added to the list.

For your personal information you are informed that this Government had no prior knowledge of the renewed initiative with regard to the inclusion of Chile until it was informed that Foreign Minister Aranha in the course of his visit to Santiago had agreed with the Chilean Foreign Minister with regard thereto and had thereafter agreed with the Foreign Minister of Argentina as to the desirability of this step. You undoubtedly have seen press statements of public declarations made by the Argentine and Brazilian Foreign Ministers expressing their desire that Chile be added to the list of mediatory powers. As soon as it was informed of this step, this Government stated to Argentina and Brazil that while it had consistently taken the position that it would welcome the participation of Chile in the negotiations as it would welcome the participation of any other American republic, it nevertheless believed that the final determination of this question must rest with the Governments of Peru and of Ecuador.

[Welles]
HULL

722.2315/2626 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 2, 1941—10 p. m.

[Received 11:07 p. m.]

486. The Argentine Chargé d'Affaires has received a telegram from his Government instructing to propose to the Ecuadoran Government, acting jointly with me and the Brazilian Minister, the inclusion of Chile in the mediatory group. His instructions state that he should oppose the inclusion of any other country such as Colombia or Mexico if that should be suggested.

My Argentine colleague is urging me to join with him in this action on the basis of his instructions. I have informed him that I cannot comply with his request in the absence of specific instructions from Washington.

Repeated to Lima for the confidential information of the Ambassador.

LONG

722.2315/2626 : Telegram

The Secretary of State to the Minister in Ecuador (Long)

WASHINGTON, December 4, 1941—2 p. m.

368. Your 486, December 2, 10 p. m. You are authorized, when your Argentine and Brazilian colleagues have received similar instructions, to join with them in stating to the Minister for Foreign Affairs that the Government of the United States would view with pleasure the inclusion of the Government of Chile among the powers whose tender of good offices has already been accepted by the Governments of Ecuador and Peru. You should make it clear that the Government of the United States for some time past has publicly announced that it would be glad to have joined with the Argentine, Brazilian and United States Governments the Governments of any or all of the other American Republics but that it believes that the question as to what powers should be associated in this tender of good offices is a matter to be determined primarily by Ecuador and Peru, the parties involved in the existing controversy. The Government of Ecuador has already made it known to this Government and to the Governments of Argentina and Brazil, through the Ambassador of Ecuador in Washington, that, should Chile be included among the list of mediatory powers, Ecuador would insist upon the additional inclusion of Mexico. In view of this prior expression of the official desires of the Government of Ecuador, it is difficult for this Government to understand the position taken by the Argentine Government in its instructions to the Argentine Minister in Quito as reported by you.

Instructions similar to these now being sent to you have been sent to Ambassador Norweb in Lima.

In order to avoid any confusion or misapprehension on the part of the Government of Ecuador, you should take occasion to make it known to the Minister for Foreign Affairs that this Government has already made its views known as above set forth with regard to the proposed inclusion of Chile to the Ambassador of Ecuador in Washington and that the views of the Government of Ecuador as communicated to the Ambassador of Ecuador at Washington have of course been immediately made known to the Governments of Argentina and of Brazil, as well as to this Government.

HULL

722.2315/2632 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 5, 1941—11 a. m.

[Received 5:15 p. m.]

652. For the Under Secretary. Your telegram No. 489, November 29, 7 p. m., and telegram No. 486, December 2, 10 p. m., to the Department from the Legation at Quito. My Argentine and Brazilian colleagues and I had an interview yesterday afternoon with the Minister for Foreign Affairs and informed him that our three Governments would be pleased to have the Government of Chile jointly included in the conciliation procedure. . . . the Minister gave no indication regarding what the reply of his Government would be. He observed that if Chile were to be added to the group other countries such as Colombia and Mexico also might wish to join, thus approaching something like a general conference which has been consistently opposed by Peru. My Argentine and Brazilian colleagues told the Minister for Foreign Affairs that they had been instructed to the effect that their Governments would resist the addition to the group of any country other than Chile. The Minister then asked me if I had received similar instructions on this point. In view of the difference between my instructions and those of my colleagues and in view of the telegrams from the Legation at Quito, I replied that I would have to consult my Government, although I assured the Minister that my Government considers the matter one for the determination of the Governments of Peru and Ecuador.

The Peruvian Minister for Foreign Affairs reiterated that he is ready to consider any proposal that our three Governments may wish to submit with a view to reaching a definitive settlement of the boundary dispute. He expressed the opinion that the representatives of the three countries at Lima and Quito could carry on informal con-

versations with him and with the Ecuadoran Minister for Foreign Affairs in order to find a formula which could serve as the basis for a direct agreement between the two parties. In this connection, I assume that no reply has been received from the Ecuadoran Ambassador at Washington regarding the views of his Government about the suggestions recently made concerning the *status quo* line of 1936. It would be most helpful if this reply could be obtained from Ecuador so that we might continue our conversations here. . . :

NORWEB

722.2315/2633 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 5, 1941—11 p. m.
[Received December 5—10: 55 p. m.]

496. Department's telegram 368, December 4, 2 p. m. Doctor Tobar accepts the addition of Chile to the countries which are kindly extending their good offices in the boundary matter.

I am led to believe that the suggestion about including Mexico has been withdrawn.

Repeated to Lima.

LONG

722.2315/2665 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 15, 1941—6 p. m.
[Received 9: 28 p. m.]

691. The Brazilian Ambassador received telegraphic instructions from his Government last Saturday to impress strongly upon his Peruvian friends the importance of reaching a settlement with Ecuador upon the basis of the 1936 line and the unfortunate circumstances of having the boundary question raised at the Rio de Janeiro meeting⁴⁰ on the grounds that Peru is occupying Ecuadoran territory by force.

The Peruvian Minister for Foreign Affairs told the Argentine Ambassador today that he is disposed to recommend to the Cabinet that the 1936 line be accepted as the basis for a settlement. The Ambassador requested the Foreign Minister to confirm that with the President and then to call in the three Ambassadors for another conference; and expressed the opinion that if Peru accepts the 1936 line as the

⁴⁰ For correspondence regarding preliminary arrangements for the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, see pp. 118 ff.

basis for a settlement the three mediatory governments will be able to persuade Ecuador to take similar action.

Investigations by neutral military observers lead to the conclusions that there have been minor infractions of the Talara Agreement by both sides; that these occur without official knowledge or direction of commanders and that both sides reach hasty conclusions about unconfirmed reports in which the truth has been considerably twisted. The three Ambassadors will speak to the Minister for Foreign Affairs about this during their next meeting with him.

NORWEB

722.2315/2665 : Telegram

The Secretary of State to the Ambassador in Peru (Norweb)

WASHINGTON, December 16, 1941—7 p. m.

524. From the Under Secretary. Your 691, December 15, 6 p. m. I have discussed this encouraging information with my Argentine and Brazilian colleagues. I hope you will do everything possible to expedite a favorable reply. Please let me know as soon as possible.

In view of the information contained in your telegram under reference, we have agreed to hold in abeyance the suggestions formulated by the Argentine Minister for Foreign Affairs. The acceptance of the 1936 line would be far more expedient from every point of view. [Welles.]

HULL

722.2315/2679 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 18, 1941—11 a. m.

[Received 1:30 p. m.]

697. For the Under Secretary. Your telegram No. 524, December 16, 7 p. m. It is apparent from our conversation last evening with the Minister of Foreign Affairs that Peru is anxious to reach a definitive settlement in the west and to have its troops withdrawn from the province of El Oro before the Rio de Janeiro Conference. There still is evasion regarding the basis for negotiations in the Oriente, where Peru obviously is seeking to limit Ecuadoran maximum claims to the 1936 line while reserving for itself the right to make claims which take into account its advanced military outposts.

The Foreign Minister will see the President today and will continue conversations with my Argentine and Brazilian colleagues and me this evening or tomorrow.

He indicated Peruvian approach is to reach a definite settlement in

the west, while leaving open the question of a permanent frontier in the Oriente. If our present conversations lead to some such plan do you perceive objections to it?

NORWEB

722.2315/2759

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] December 19, 1941.

Participants: Argentine Ambassador, Señor Don Felipe A. Espil;
Brazilian Ambassador, Mr. Carlos Martins;
Under Secretary, Mr. Welles.

The Ambassadors of Argentina and Brazil called to see me this afternoon at my request.

I showed to the two Ambassadors the most recent telegrams received from the Embassy at Lima, notably the telegram of December 18⁴¹ relating to the opinions expressed by General Ureta,⁴² which deal with the boundary dispute.

I said that it seemed to me that, if there was any chance of procuring a settlement of the boundary dispute at least in principle before the Rio de Janeiro meeting, the three mediatory powers should now act with decision and dispatch. I therefore desired to present for the consideration of the Argentine and Brazilian Governments the following suggestions:

1—That the three mediatory powers suggest simultaneously to Ecuador and Peru that the *status quo* line of 1936 be accepted by both Governments as the basis of a permanent settlement;

2—That if the two Governments agreed the Government of Peru should immediately withdraw its troops back to the 1936 line;

3—That after these two steps had been taken the Governments of Ecuador and Peru send representatives to Buenos Aires to negotiate in the presence of representatives of three mediatory powers the final details of a permanent settlement upon the basis proposed;

4—That simultaneously with the presentation of these proposals to Ecuador and Peru the three mediatory powers inform all of the Governments of the other republics of the suggestions so advanced.

Both the Argentine and Brazilian Ambassadors expressed their enthusiastic agreement and stated that they would at once cable their Governments, strongly recommending agreement with these suggestions. They said they would endeavor to obtain a reply at the earliest possible moment.

S[UMNER] W[ELLES]

⁴¹ Not printed.

⁴² Gen. Eloy G. Ureta, Inspector General of the Peruvian Army.

722.2315/2704a : Telegram

*The Secretary of State to the Minister in Ecuador (Long)*⁴⁸

WASHINGTON, December 23, 1941—4 p. m.

406. The Governments of Argentina, of Brazil and of the United States are in accord that it is in the highest degree essential that the means for a pacific solution of the Ecuador-Peru boundary dispute be found if at all possible prior to the Consultative Meeting to be held in Rio de Janeiro on January 15th. Under existing world conditions, the gravity of which is daily increasing, the unity of the American Republics is more than ever necessary and such unity can necessarily not be assured so long as the present controversy between Peru and Ecuador continues. The dangers of such continuation are apparent to public opinion throughout the continent.

In their earnest desire to be of service in bringing about an equitable and satisfactory basis for successful negotiations between Ecuador and Peru which would lead to a friendly and permanent settlement of the boundary controversy, the three Governments are therefore jointly proposing simultaneously to the Governments of Ecuador and of Peru that the two Governments accept as a basis for the negotiation of a permanent and definitive boundary settlement between them the *status quo* line of 1936.

The three Governments further propose that should the two Governments accept the basis of negotiation thus advanced, the forces of Peru be withdrawn back of the 1936 *status quo* line, and that the negotiations for a final settlement take place as originally proposed at Buenos Aires.

You are authorized to present this proposal jointly to the Minister for Foreign Affairs in the company of your Argentine and Brazilian colleagues as soon as they have received similar instructions.

Please cable the Department urgently as soon as the date and hour for your reception by the Foreign Minister has been arranged in order that the three mediatory Governments may at that time communicate to the governments of all of the other American Republics the proposal thus advanced to the Governments of Ecuador and Peru. It is desired that you arrange by telegram with your colleagues in Lima so that your reception by the Foreign Minister in each case may be on the same day and the same hour.

HULL

⁴⁸ The same, *mutatis mutandis*, to the Ambassador in Peru as No. 547.

722.2315/2704: Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 23, 1941—7 p. m.

[Received December 24—5:20 a. m.]

712. For the Under Secretary. My telegram No. 710, December 23, 10 a. m.⁴⁴ The Brazilian Ambassador received instructions this morning to insist upon Peruvian acceptance, prior to the Rio de Janeiro meeting, of the 1936 line as the basis for a definitive settlement: the withdrawal of troops from the province of El Oro; the agreement of the Peruvian Minister for Foreign Affairs to discuss the boundary question at Rio de Janeiro but outside the conference; and Peruvian agreement to a meeting at Buenos Aires or some other place after the Rio de Janeiro meeting in order to reach a final settlement with Ecuador. I am also told that the Argentine Ambassador and I would receive similar instructions but these have not yet reached us.

The Argentine Ambassador, who leaves Lima tomorrow, reviewed the whole situation with the President and Minister for Foreign Affairs in order to be able to give the Argentine Minister for Foreign Affairs the latest report. The President was unyielding in his refusal to accept the 1936 line as the basis for negotiations in the Oriente and insisted that Ecuador recognize that line in the Oriente as its maximum aspirations while Peru would agree to its present line of advanced posts as its maximum aspirations and the zone between would be the subject of negotiations.

This is a discouraging development, although a definitive settlement in the west along the 1936 line and the withdrawal of Peruvian troops from El Oro appear entirely feasible with Ecuadoran agreement. The report of the Peruvian Ambassador in Rio de Janeiro that the opposition of the Peruvian Ambassador in Argentina to the 1936 line probably are responsible for the present situation. Peru seems less concerned about the Rio de Janeiro meeting in connection with the boundary dispute. It is possible but not probable that, as the Brazilian Ambassador believes, Peru may intend to withdraw troops from El Oro before the meeting. The Peruvian Minister for Foreign Affairs is going to Buenos Aires and will travel from there to Rio de Janeiro with the Argentine Minister for Foreign Affairs. The Argentine Ambassador thinks that the Peruvian Minister for Foreign Affairs may feel that he and Ambassador Benavides will be able to obtain some advance commitment from Argentina favorable to the Peruvian point of view. I think that Peru may feel that it will have a good case if there is a definitive settlement and withdrawal of troops in the west, since it can claim that advances in the Oriente have

⁴⁴ Not printed.

been made by both parties and that Peruvian advances are into territory in dispute and not into Ecuadoran territory.

Will it now be possible for the three mediatory Governments to instruct their representatives at Lima and Quito to submit a specific proposal for an early and definitive settlement? A proposal for a complete settlement on the basis of the 1936 line most probably would be rejected by Peru. The alternative would be immediate and definitive settlement in the west along the 1936 line; and agreement upon the basis of negotiations in the Oriente, possibly defining the zone in litigation there as that included between the 1936 line and the present line of Peruvian outposts.

NORWEB

722.2315/2709a : Circular telegram

*The Secretary of State to Certain Diplomatic Missions in the American Republics*⁴⁵

WASHINGTON, December 26, 1941—9 p. m.

Please hand, in company of your Argentine and Brazilian colleagues, (if any), immediately to the Minister for Foreign Affairs an *aide-mémoire* to be regarded as addressed to the Government to which you are accredited by the Governments of Argentina, of Brazil and of the United States and of which the text is as follows:

"The Governments of Argentina, of Brazil and of the United States, whose good offices were accepted by the Governments of Ecuador and of Peru, are in accord that it is in the highest degree essential that the means for a pacific solution of the boundary dispute between Ecuador and Peru be found at the earliest possible moment. Under existing world conditions, the gravity of which is daily increasing, the unity of the American Republics is more than ever necessary. The dangers inherent in a continuation of this dispute are undoubtedly fully recognized by the peoples of the twenty-one American Republics.

The approaching Consultative Meeting of Foreign Ministers of the American Republics to be held on January 15 next at Rio de

⁴⁵ Sent to all the Missions except to those in Argentina, Brazil, Ecuador, and Peru. The telegram to the Mission in Chile had the following additional final paragraph: "The Department requests that you hand this *aide-mémoire* personally to the Minister for Foreign Affairs and state to him that, as he is already well aware, the Government of the United States, together with the Governments of Argentina and of Brazil, have been most happy to indicate their hope that the Government of Chile might be associated with them in their efforts to promote a speedy and satisfactory solution of the boundary controversy. The Government of Ecuador has officially accepted the inclusion of Chile among the American governments whose good offices have been accepted, but no official reply has as yet been received with regard thereto from the Government of Peru. You should further say that your Government earnestly hopes that the Government of Chile will in every appropriate way express its support of the suggestions above set forth."

In a telegram of January 5, 1942, the Ambassador in Peru reported that the Peruvian Government also had accepted the addition of Chile to the Governments extending their good offices (722.2315/2751).

Janeiro, at which are to be discussed problems relating to the security of the Western Hemisphere and at which the complete solidarity of the American Republics is imperatively demanded, makes it all the more necessary that the means for assuring a peaceful settlement of this boundary dispute be found.

In their earnest desire to be of service in bringing about an equitable and satisfactory basis for successful negotiations between Ecuador and Peru which would lead to a friendly and permanent settlement of the boundary controversy, the three Governments have therefore proposed simultaneously to the Governments of Ecuador and of Peru that the two governments accept as a basis for the negotiation of a permanent and definitive boundary settlement the *status quo* line of 1936.

The Governments of Argentina, of Brazil, and of the United States have further proposed that should the two governments accept the basis of negotiation thus advanced, the armed forces of Peru be withdrawn back of the 1936 *status quo* line and that the negotiations for a final settlement take place, as previously proposed, in the capital of the Argentine Republic.

In their desire that all the governments of the American Republics be fully informed of the efforts which have been and which are being made by the three governments whose good offices have been accepted to further a peaceful settlement of this dispute, the Governments of Argentina, of Brazil, and of the United States are bringing these facts to the attention of the Government of"

HULL

722.2315/2715 : Telegram

The Ambassador in Peru (Norweb) to the Secretary of State

LIMA, December 27, 1941—3 p. m.

[Received December 27—2:10 p. m.]

729. Department's telegram No. 547, December 23, 4 p. m.⁴⁶ My Argentine and Brazilian colleagues and I jointly complied with our instructions this morning.

Our first impression is that the proposal was received satisfactorily. Quito informed.

NORWEB

722.2315/2712 : Telegram

The Minister in Ecuador (Long) to the Secretary of State

QUITO, December 27, 1941—8 p. m.

[Received 11:22 p. m.]

569. The following telegram has been sent to Lima.

December 27, 7 p. m. From the three Ministers for the three Ambassadors. My telegram of December 27, 11 a. m.⁴⁷ The Foreign

⁴⁶ See footnote 43, p. 250.

⁴⁷ Quoted to the Department in telegram No. 568 of December 27, noon, not printed (722.2315/2711); it reported the presentation to the Ecuadoran Minister for Foreign Affairs of the proposals contained in Department's telegram No. 406, December 23, 4 p. m., p. 250.

Minister after expressing his profound appreciation to the Quito representatives of the mediating powers handed us a memorandum which in literal translation reads as follows:

"The Government of Ecuador is profoundly grateful to the mediating Governments for the new step which they have taken in furtherance of their friendly activities for the solution of the territorial dispute and it accepts the proposal which the representatives of the mediating Governments have made simultaneously and jointly to the Foreign Offices of Ecuador and Peru.

It is convinced that the withdrawal of troops is going to be immediate and with this assurance it gives the acceptance referred to.

The Ecuadoran Government is confident that if in the withdrawal any difficulty should arise between the parties with respect to the *status quo* positions or any other point the mediators will find a means to solve it and that the parties will not lack the presence of the neutral observers during the carrying out of the withdrawal.

The Government of Ecuador likewise is confident that a brief period will be established for the opening of the conferences which are to be held at Buenos Aires with the cooperation of the mediating Governments."

Repeated to the Department.

LONG

HONDURAS AND NICARAGUA ⁴⁸

715.1715/1528a : Telegram

The Secretary of State to the Ambassador in Colombia (Braden)

WASHINGTON, February 5, 1941—8 p. m.

31. Please deliver the following message to Ambassador Rodriguez ⁴⁹ from Dr. Corrigan: ⁵⁰

"After a period of inactivity caused by the extraordinary claims upon the time of the Members of the Mediation Commission as a result of critical conditions throughout the world, it is now planned to have the commission meet in the latter part of February in San José, Costa Rica, to formulate plans for a program of action which it is hoped will lead to a definite settlement of the Honduran-Nicaraguan boundary controversy. Upon our arrival in San José, I hope to be able to present certain definite ideas for the consideration of the other Members of the Committee."

HULL

715.1715/1534 : Telegram

The Ambassador in Venezuela (Corrigan), Temporarily in Costa Rica, to the Secretary of State

SAN JOSÉ, February 28, 1941—10 a. m.

[Received 2:25 p. m.]

Since my arrival on Monday, ⁵¹ daily meetings of the Mediation Commission have been held. On Tuesday the members of the Com-

⁴⁸ Continued from *Foreign Relations*, 1940, vol. v, pp. 444-459.

⁴⁹ José Santiago Rodríguez, Venezuelan Ambassador in Colombia.

⁵⁰ Frank P. Corrigan, American Ambassador in Venezuela.

⁵¹ February 24.

mission held a conference with the Costa Rican Secretary of State for Foreign Affairs, Dr. Echandi. Informal conversations were also held with the Honduran and Nicaraguan Ministers resident in San José. At the concluding session yesterday afternoon it was resolved subject to the approval of the mediating governments to adopt the plan which was discussed in the Department for aerial surveys by the Commission itself for its own account and for its confidential use. At the conference with Dr. Echandi he expressed the conviction that it would be inadvisable to proceed publicly at this time in the Honduras-Nicaragua controversy since such action might complicate or interfere with the satisfactory progress which he feels is being made towards settlement of the Panama-Costa Rica boundary question.

In view of the Foreign Minister's opinion which is shared by the Honduran and Nicaraguan Ministers, the Commission agreed to terminate for the present this public phase of the mediation and to continue its work through regular diplomatic channels. Copy of the resolution authorizing the procedure to be followed if the Department approves is being transmitted by air mail despatch.

I am leaving by plane today accompanied by Ocheltree⁵² for Panama where it [is] hoped that our instructions will be received.

CORRIGAN

715.1715/1543a

*Memorandum of Conversation, by Mr. Guy Walter Ray of the
Division of the American Republics*

[WASHINGTON,] March 20, 1941.

Dr. Cáceres⁵³ called to see me on the afternoon of March 19, 1941 and brought up the subject of the boundary dispute between Honduras and Nicaragua. He referred to the recent meeting of the Boundary Mediation Commission at San José and said he was convinced that the Commission would meet with no success so long as it continued to insist on a survey before reaching an agreement in principle. He said he understood that the activities of the Commission in San José had been limited to bringing correspondence and organization up to date and an agreement that Dr. Corrigan would be authorized to suggest to the Honduran Government that a preliminary survey be made, possibly by the National Geographic Society.

Dr. Cáceres said that he was not authorized to make any formal statement on behalf of his Government but that he was fully con-

⁵² John B. Ocheltree, secretary to Ambassador Corrigan and of the Mediation Commission.

⁵³ Julian R. Cáceres, Honduran Minister in Washington.

vinced the President of Honduras⁵⁵ would not consent to a survey until some agreement had been reached with Nicaragua. He said that he believed a plan whereby Nicaragua would recognize the award of the King of Spain of 1906⁵⁶ in exchange for concessions on the part of Honduras was the only plan which offered any hope of success. He added that he did not have a definite plan for concessions to be made but suggested as a possibility changing the border line from Totecacinte in a straight line to some point along the River Segovia more or less due east from Totecacinte or possibly as far northeast as the junction between Rio Segovia and Rio Bocay. He said that this idea was advanced as a tentative solution and that concessions might be made at some other point. He added that Honduras would be willing to grant Nicaragua equal navigation rights on the Rio Segovia, the northern bank being under Honduran sovereignty and the southern bank belonging to Nicaragua.

Dr. Caceres repeated a number of times his strong conviction that his Government would not accept a preliminary survey and he stated that the President was particularly opposed to the idea of an aerial survey.

Dr. Caceres added that speaking personally and unofficially he felt the dispute had now reached a point where it was no longer possible to settle it on a judicial or historical basis but that some solution had to be found which would "save the faces" of the President of Honduras and the President of Nicaragua.⁵⁷ He said he believed the formula proposed would accomplish this as Honduras would win the point of having Nicaragua recognize the award of the King of Spain and Nicaragua would have the satisfaction of receiving territorial concessions in compensation for its agreement to the award. He said that if the Department of State or the Mediation Commission cared to present a proposal or a draft treaty along the lines he mentioned, he would give it his wholehearted support. He added that if an agreement could be reached by the Nicaraguan and Honduran Governments accepting such a solution in principle, he was convinced his Government would then make no objection to a survey by the National Geographic Society or another organization chosen by the Mediation Commission.

⁵⁵ Tiburcio Carias Andino.

⁵⁶ Given at Madrid December 23, 1906; see *Foreign Relations*, 1918, pp. 11 ff.

⁵⁷ Gen. Anastasio Somoza.

715.1715/1549: Telegram

The Chargé in Costa Rica (Dwyre) to the Secretary of State

SAN JOSÉ, June 20, 1941—1 p. m.

[Received 6:30 p. m.]

151. The Minister for Foreign Affairs this morning read to me the closing paragraphs of a long note dated June 13, 1941 and addressed to him by the Honduran Minister for Foreign Affairs,⁵⁸ in which it is intimated that the mission of the Mediation Commission in the Honduras-Nicaragua boundary dispute has been a failure and consequently the Commission should cease to [apparent omission] that Honduras adheres only to the award of the King of Spain and intends to take appropriate measures to defend its sovereignty.

He has requested me to ascertain whether or not the Government of the United States and the Government of Venezuela have received similar notes from the Minister for Foreign Affairs of Honduras,⁵⁹ and I should appreciate the Department's immediate telegraphic reply on that point in order that I may inform Señor Echandi. In the event both the United States and Venezuela have received similar notes, he suggests that similar replies may be made by the three Governments.

Señor Echandi expressed grave concern over any steps which Honduras might take at this time to take from the hands of the Commission a matter which might result in armed conflict between Honduras and Nicaragua. He has sounded out the Honduran and Nicaraguan Ministers in San José and believes they have no information concerning the decision taken by Honduras and he is especially anxious that Nicaragua not learn of the note sent to him.

The Foreign Minister proposes to transcribe the note to the Costa Rican member of the Mediation Commission, Tobías Zuñiga Montúfar, in order that he may in turn bring it to the attention of the American and Venezuelan members of the Commission. He states he will also transcribe a copy thereof to the Costa Rican Minister at Washington in order that he may show it to the Department.

Minister Echandi feels that totalitarian influence may have induced the Government of Honduras to take the unfortunate steps referred to.

The Foreign Minister suggests that perhaps the Department may wish the American Minister in Tegucigalpa⁶⁰ to suggest to the Honduran Government that it desist from taking the matter out of the hands of the Commission at this time; that if the Government of Honduras promises to decide to take no steps to take the matter out of the hands of the Commission, it could obtain the assurance that no suggestions for a settlement will be made by the Commission until

⁵⁸ Salvador Aguirre.

⁵⁹ Note No. 1728 of June 13, 1941, to the Department, not printed, but see the reply dated September 5, p. 261.

⁶⁰ John D. Erwin.

after the war. The Foreign Minister has even thought of proceeding to Tegucigalpa to make this suggestion on the part of the Government of Costa Rica, but he fears that his visit at this time would be too conspicuous. He has also considered sending Don Luis Anderson, who is consulting attorney for the Honduran Government in the matter, to Tegucigalpa on such a mission, but he feels that Señor Anderson holds the same view as the Government of Honduras with reference to the validity of the award of the King of Spain.

The Foreign Minister requests by telegraph any information which the Department may have on this subject.⁶¹

DWYRE

715.1715/1550: Telegram

The Acting Secretary of State to the Minister in Honduras (Erwin)

WASHINGTON, June 24, 1941—8 p. m.

31. Telegram No. 151, June 20, 1 p. m., from the American Legation at San José refers to a note of June 13 from the Honduran Minister for Foreign Affairs to the Costa Rican Foreign Minister intimating that the Mediation Commission in the Honduras-Nicaragua boundary dispute has been a failure, that Honduras adheres only to the award of the King of Spain, and intends to take appropriate measures to defend its sovereignty. You are instructed to discuss this question with the Foreign Minister and to say that while it is to be regretted that the Boundary Commission has not as yet been able to facilitate a definitive solution of the boundary question the Department assumes that the Honduran note in question is intended solely to reaffirm the position of Honduras with regard to the award of the King of Spain and that no action is contemplated which would endanger a continuation of the efforts to bring about an amicable settlement.

For your information, no such note has been received by the Department. Please report by telegraph regarding your conversation on this subject.

WELLES

715.1715/1556

The Minister in Honduras (Erwin) to the Secretary of State

No. 1424

TEGUCIGALPA, June 25, 1941.

[Received July 2.]

Subject: Results of Discussion with Honduran Minister of Foreign Affairs Regarding Honduras-Nicaragua Boundary Dispute.

SIR: Referring to your telegram No. 31 of June 24, 8 p. m., I have the honor to report that I sought an engagement with the Honduran

⁶¹ Telegram No. 115, June 24, 8 p. m., to the Chargé in Costa Rica not printed but see telegram No. 31 to the Minister in Honduras, *infra*.

Foreign Minister early today to discuss this matter, with the following results:

The Foreign Minister was informed that a copy of his note on this subject, referred to in a telegram from the American Legation at San José, had not reached the Department and I wished to discuss the subject matter with him primarily to seek information. He stated that doubtless a copy of the note in question would shortly be delivered to the Department at Washington, since instructions to that effect had been issued.

The Foreign Minister produced a copy of the note and read to me the essential parts. I discussed the subject in the sense of the Department's instruction under reference. The Foreign Minister emphasized that his note merely seeks to reaffirm the position of Honduras respecting the award of the King of Spain in the light of the Mediation Commission's findings to date and that it was not intended any tone of belligerency should be read into the note. There have been no recent border incidents to prompt him in reasserting Honduras' rights at this time. However, he had felt that in view of the Mediation Commission's statement that the "second phase" of its investigation and deliberations had been completed, without, as Honduras viewed it, appreciable results, that the development of a third section would not be productive of good. He mentioned what he regarded as a tendency of the Commission to go beyond a reasonable scope in its deliberations; in this connection, he mentioned the topographical studies and the proposal of the Commission to make aerial maps, to which project Honduras had withheld its assent. He appeared to feel that further meetings of the Commission in the near future would not have a tendency to heal the situation and that the time is not opportune to press for any further settlement.

The difficulties under which the Mediation Commission have labored, particularly with the restriction imposed at the outset by Honduras that there should be no tampering with the award of the King of Spain, are too well known to require review. Since the position of the Government of Honduras, as outlined in the note of its Foreign Minister, dated June 13, is merely to maintain the *status quo*, and the phrase concerning defense of its sovereignty is merely rhetorical and carries no implication of any belligerent steps, it would not appear that this Legation should take any further action at this time, except as instructed by the Department after full consideration of the Honduran note under reference, in all its phases, when it has been received by the Department.

Respectfully yours,

JOHN D. ERWIN

715.1715/15473

*Memorandum of Conversation, by Mr. Guy Walter Ray of the
Division of the American Republics*

[WASHINGTON,] July 1, 1941.

Minister DeBayle⁶² called to see me yesterday to discuss a number of subjects and stated that he had received a telephone call from the Nicaraguan Foreign Minister⁶³ informing him that Honduras has sent an identical note to the Governments of the United States, Costa Rica and Venezuela, the substance of which was that Honduras stood on its rights under the award of the King of Spain and felt compelled to defend its rights. Minister DeBayle recalled that following the Habana conference in July 1940⁶⁴ the Honduran Minister had stated at a meeting of the Governing Board of the Pan-American Union that he was instructed referring to a Habana resolution regarding the peaceful settlement of boundary and other disputes and to state formally that Honduras had no pending boundary questions. Dr. DeBayle said he had objected, explaining that the Mediation Commission had been created for the purpose of finding a solution of the Honduras-Nicaragua dispute.

Dr. DeBayle said that some time ago Minister Caceres had told him that possibly the only way to reach a solution of the difficulties between Honduras and Nicaragua would be by direct negotiation. Dr. DeBayle asked me if I would object to telling him whether Minister Caceres had discussed this with the Department. I replied that I had had no discussion of this possibility with Señor Caceres, and that so far as I knew it had not been discussed with anyone in the Department. (Some time ago Minister Caceres suggested to me the possibility of transferring a certain amount of Honduran territory to Nicaragua in exchange for recognition of the award. The idea presented by Señor Caceres seemed to be that action should be taken through the Commission and no mention was made of direct negotiation). In reply to Dr. DeBayle's direct question as to the attitude of the Government of the United States, I told him that I had not been authorized to make any formal statement but that I felt I could safely go so far as to say that the Department considered the recent Honduran statement as a re-affirmation of that country's claims based on award of the King of Spain, and assumed that no precipitate action would be taken by either of the countries, and that efforts to facilitate an amicable solution of the difficulties would continue. Minister De-

⁶² León DeBayle, Nicaraguan Minister in Washington.

⁶³ Antoni Barquers.

⁶⁴ For correspondence concerning the Second Meeting of the Foreign Ministers of the American Republics, held at Habana, July 21-30, 1940, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.

Bayle indicated that he would advise his government for the moment to "sit tight" and await further developments.

715.1715/1551

*The Secretary of State to the Honduran Minister for Foreign Affairs
(Aguirre)*

WASHINGTON, September 5, 1941.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note no. 1728 of June 13, 1941⁶⁵ with reference to the work of the Mediation Commission which has been considering suggestions regarding the means, acceptable to both parties, which might be adopted by Honduras and Nicaragua with the object of arriving at a definitive settlement of the controversy between them.

Your Excellency states that, since three years have elapsed and the Mediation Commission has not so far reached the final stage of its mission, and its functions have been extended to take cognizance of matters beyond its competence, the Honduran Government considers that by these acts, which are incompatible with the fulfillment of the Royal Award which determined the territorial rights of Honduras, the Mediation Commission has already completed its task, in as much as it is not pursuing such a settlement of the present dispute as was agreed in the Pact of Mutual Offers,⁶⁶ but rather is seeking means which were not anticipated when the Pact was signed.

In noting these and the further statements in Your Excellency's communication, my Government assumes that they are intended merely as a reaffirmation of the rights asserted by Honduras under the terms of the Award of the King of Spain, that Your Excellency's Government will continue to observe the provisions of the pact signed at San José de Costa Rica on December 10, 1937, and that it will cooperate in efforts to facilitate a peaceful solution of the controversy.

Your Excellency will recall that the offer of good offices, in which my Government was associated with the Governments of Costa Rica and Venezuela on October 21, 1937 and which was accepted by Your Excellency's Government the following day,⁶⁷ specifically envisaged that suggestions for a definitive settlement of the dispute would be made. You will further recall that this offer made it very clear that the suggestion as to the means which might be adopted by Honduras and Nicaragua for the definitive settlement of the controversy were to be equally acceptable to both parties. The Mediation Commission,

⁶⁵ Not printed.

⁶⁶ Signed at San José December 10, 1937; for text, see *Foreign Relations, 1937*, vol. v, p. 112.

⁶⁷ See note to the Honduran Minister for Foreign Affairs, *ibid.*, p. 92, and reply, p. 93.

therefore, is in no sense an arbitral body; its suggestions or recommendations can be of use in the present controversy only if they are acceptable to both parties.

In the light of all of these circumstances my Government is confident that the best means to find a satisfactory solution of the controversy is for the Mediation Commission to pursue its efforts.

CORDELL HULL

715.1715/1587

*The Honduran Minister for Foreign Affairs (Aguirre) to the Secretary of State*⁶⁸

[Translation]

No. 519

TEGUCIGALPA, October 7, 1941.

[Received October 17.]

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's courteous communication dated September 5th last, in which, referring to the note which the Department of State of which I am in charge addressed to you on June 13th last, notifying you of the termination of the Commission for Mediation in the frontier incident between Nicaragua and Honduras in conformity with the Pact of Mutual Offers, Your Excellency's Government assumes that the reasons which Honduras adduces for declaring the aforesaid mediation terminated have the sole object of reaffirming the rights which it has always maintained regarding the validity of the terms of the Award of the King of Spain, but not the suspension of the labors of the former, and that it desires that my Government continue to observe the stipulations of the Pact signed at San José, Costa Rica, December 10, 1934 [1937], cooperating with its efforts to facilitate a peaceful settlement of the controversy.

His Excellency likewise calls my attention to the fact that in offering the good offices of his Government, together with those of Costa Rica and Venezuela, in the matter to which I am referring, suggestions for a definitive settlement were specifically contemplated, and the idea was made clear that in order to have legal value they would have to be accepted by both parties, since the Mediation Commission does not possess the characteristics of an Arbitral Tribunal, and that in view of all these circumstances Your Excellency's Government is confident that the best means for finding a satisfactory solution of the controversy is for the Mediation Commission to continue its efforts.

My Government, Excellency and Mr. Secretary, maintains and reaffirms the contents of its note of June 13th, already mentioned, by which it notified the members from the countries of the Delegates on

⁶⁸ Similar notes were sent to the Governments of Costa Rica and Venezuela.

the Mediation Commission of the termination of its functions. The note to which I allude sets forth clearly the reasons and legal grounds that Honduras has had for proceeding in the way in which it is doing.

As I had the honor of stating in my note already referred to, the friendly intervention of the Governments of the United States of America, the United States of Venezuela and the Republic of Costa Rica took place in order to avoid the tension and discord occasioned by the issuance and sale of a postage stamp of the Republic of Nicaragua on which the map of that nation is outlined, the boundary line with Honduras laid down by the King of Spain in his arbitral award being plainly altered.

On December 10, 1937, the Mediation Commission signed the Pact of Mutual Offers which was likewise signed and approved by the representatives of the two Governments. In that Pact it was stated in one of its clauses "A mutual offer of the two Governments to solve the present conflict by the pacific means sanctioned by International Law," and with those categorical affirmations, tranquility and good harmony between the two sister nations were insured.

At the meeting which the Commission held to suspend its work, it indicated the period of two months, counting from April 9, 1938, to June 9th of the same year, to resume it, if unforeseen circumstances did not necessitate renewing it sooner. On June 3rd, when the period was about to expire, Their Excellencies Zúñiga Montúfar and Rodríguez were good enough to address a radio telegraph message to this Chancellery, informing it that His Excellency Mr. Corrigan had made known, in notes of May 23rd, that the studies being made on the statements submitted to the Mediation Commission by the Delegations of Honduras and Nicaragua required more time, and he proposed that the continuation of the plenary sessions be postponed to a date later than June 9th, and that for that reason it was absolutely necessary to defer the date of continuation of the plenary sessions of the Mediation Commission, and that when exact knowledge was had of that date he would take pleasure in giving notice of it, for all pertinent purposes.

At that stage of the mediation, this Chancellery received a note signed on November 26, 1938, by the President of the Mediation Commission, His Excellency Doctor Tobías Zúñiga Montúfar, in which he was good enough to communicate that the American Geographical Society had been requested to draw up a reconnaissance map of the region of the Coco or Segovia River, and in this connection he submitted a plan for performing the work and the estimate of its cost, half of which would be paid by Honduras and half by Nicaragua if the said plan won the approval of their Governments.

This Chancellery replied on December 31st of that year, stating that the elaboration of the map referred to presupposed the setting aside of the natural boundary established in the award, a boundary which

it is not possible for my Government to vary, and I set forth at length the reasons on which [my stand]⁷⁰ was based, in the note which I had the honor to address to Your Excellency on June 13th of the current year. And in consideration of such reasons I regretted to have to state to His Excellency the President of the Mediation Commission that my Government deplored that it could not consent to a new discussion on the territorial rights already decisively defined by the civilized medium of arbitration.

On March 18, 1940, I addressed another note to His Excellency the President of the Mediation Commission, for the reason that in those days the newspapers of Costa Rica and Nicaragua had been announcing the coming convocation of that [body]⁷⁰ to reach the termination of its labors; it being said also that the cartographic studies which would serve as a basis for the settlement that would have to be recommended had been made. This last [statement]⁷⁰ gave reason for alluding in that note to the action of the Honorable John B. Ocheltree, who gave a private lecture at the President's House at Tegucigalpa, with projected pictures, intended to show the need for the aerophotographic map that was planned. And because of this lecture, my Government reaffirmed the ideas of the note of December 31, 1938, and firmly maintained its opinion with respect to the inviolability of the award of the King of Spain, declaring that it could not accept any settlement that would deviate from the corresponding part of the text of the [offer of]⁷⁰ Good Offices, in which it is stated that *the three mediating Governments would submit suggestions as to the means acceptable to both parties that can be accepted by Honduras and Nicaragua with the object of reaching a definitive settlement of the conflict.*

From everything that has been set forth, and in consideration of the fact that more than three years have elapsed since June 9, 1938, when the honorable Mediation Commission suspended its labors—and it has not resumed them—to enter upon the final stage of its lofty mission, having previously, indeed, taken steps which completely deviate from the idea that the award is to be carried out that determined the territorial rights of Honduras, my Government maintains and reaffirms, as I have stated in the beginning, the contents of its note of June 13th above-mentioned, in which it declares terminated the labors of the honorable Mediation Commission, with the desire that it be considered to have withdrawn from the mediation, since it is necessary to terminate a situation that cannot continue indefinite. And in maintaining and reaffirming resolutely the note mentioned, it does so without there being any ground for its decision being doubted, as it had declared in the note alluded to that it could not give its ac-

⁷⁰ Brackets appear in the file translation.

ceptance to any settlement whatever which was not the due execution of the award, because of being under obligation to defend thereby the integrity of the Honduran territory; this declaration does not refer to the honorable Mediation Commission, for its object is solely to make known the standard of conduct imposed upon it by its constitutional duties.

Through the worthy channel of Your Excellency I repeat to your illustrious Government the regret of the Government of Honduras at finding itself obliged to take this step, but it cannot fail to do so in view of what is prescribed in the Constitution of the Republic. Likewise I repeat to it its full gratitude for what could be accomplished in the discharge of the good offices which it was pleased to offer.

I avail myself [etc.]

SALVADOR AGUIRRE

715.1715/1581 : Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, November 15, 1941—11 a. m.

[Received 2:05 p. m.]

336. The President expressed his anxiety today regarding the apparent decision of the Honduran Government to withdraw from its agreement to accept mediation of the United States, Costa Rica and Venezuela on the Honduran-Nicaraguan boundary dispute. President Calderon said that indirectly attitude is due either to Nazi pressure in order to create unrest in Central America or to President Carias' desire to detract attention from internal difficulties by emphasizing international matters.

The President expressed the hope that we would use our influence to persuade Honduras to leave the boundary matter in *status quo* at least until the end of the war. The President said that he would be prepared to support us in any representations and he felt certain that the Venezuelan Government would be glad to do likewise.

LANE

715.1715/1594

Memorandum of Conversation, by the Adviser on Political Relations (Duggan)

[WASHINGTON,] November 26, 1941.

The Ambassador⁷¹ inquired what views this Government had with respect to further action in connection with the Nicaragua-Honduras boundary dispute.

⁷¹ Diógenes Escalante, Venezuelan Ambassador in Washington.

He stated that his Government did not think that Honduras had any authority to declare that the labors of the mediation commission had come to an end.

I told the Ambassador that this whole subject was now under review. Our preliminary studies were in agreement with the view of his Government—that the Government of Honduras could not unilaterally declare that the mediation commission had ceased to exist because its work had been terminated. It was our tentative thought that there should be consultation between the Governments either through the usual diplomatic channels or through a meeting of the mediation commission to decide what the next step should be. I expressed my personal doubt that there would be any favorable development if the situation was left to drift since it did not look as though Honduras intended, of its own initiative, to make any proposal and Nicaragua alone was not in a position to bring about serious consideration of any proposal it might make.

The Ambassador seemed to agree that this was a good procedure. He thought that whatever discussions took place should be through diplomatic channels in order not to antagonize Honduras unnecessarily.

715.1715/1585 : Telegram

The Minister in Costa Rica (Lane) to the Secretary of State

SAN JOSÉ, November 27, 1941—noon.

[Received 2:07 p. m.]

353. My 336, November 15, 11 a. m. The Minister of Foreign Affairs sent for me last evening to read to me the letter which he proposes shortly to send to the Costa Rican Minister in Washington instructing Fernández as to the attitude of the Costa Rican Government regarding the expressed intention of Honduras to withdraw from the boundary mediation (the Honduran attitude is expressed in a note of October 9 from the Honduran Minister for Foreign Affairs to the Costa Rican Minister for Foreign Affairs which is virtually the same *mutatis mutandis* as the Honduran note to the Secretary of State of the same date ⁷²).

Echandi's draft letter instructs Fernández to suggest to the Department that the Mediation Commission inform the Government of Honduras that provided Honduras will not withdraw from the mediation the three mediating governments will make no suggestions as to the manner of determining the boundary to either Honduras or Nicaragua at least until the end of the war, the Government of Costa Rica being of the opinion that Honduran withdrawal at this moment

⁷² Apparently reference is to note of October 7, p. 262.

would be a blow to inter-American solidarity. For this reason the Government considers it wiser to leave the determination of the boundary problem *in statu quo* until the general international danger has diminished.

Echandi said that there would be a preferable solution to the foregoing: for us to persuade Honduras for the international reasons stated above to defer taking action until the present international crisis has passed. He expressed the opinion that we are the only power which could successfully exert influence on the Honduran Government in this matter. He said that he will send suitable instructions to the Costa Rican Minister in Venezuela as soon as he learns what our views are as to the most advisable procedure.

LANE

715.1715/1597

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] December 11, 1941.

The Minister of Nicaragua called this afternoon at his request.

The Minister inquired with regard to the Nicaraguan-Honduran boundary dispute situation. I told him that I was glad to say that the Governments of Venezuela, Costa Rica and the United States were all in accord in believing that the mediators should make a suggestion to the two parties to the dispute to enter into an agreement that neither side would take any steps, but would maintain the *status quo* and, with regard to mediation, as in tacit continuance until the termination of the present World War. I said that as soon as the draft communications had been completed to the satisfaction of the three governments I would be glad to inform the Minister thereof. The Minister stated that his Government had ordered him to say that it was in complete agreement with the procedure suggested.

S[UMNER] W[ELLES]

ANGLO-AMERICAN COOPERATION ON POLICIES AND PROBLEMS CONNECTED WITH THE PROCLAIMED AND STATUTORY LISTS IN THE EASTERN AND WESTERN HEMISPHERES

740.00112A European War 1939/555

Press Release Issued by the Department of State, July 17, 1941

As a further step in view of the unlimited national emergency declared by the President, he has today issued a proclamation¹ authorizing the promulgation of a list of persons which will be known as "The Proclaimed List of Certain Blocked Nationals".² The list will consist of certain persons deemed to be acting for the benefit of Germany or Italy or nationals of those countries and persons to whom the exportation directly or indirectly, of various articles or materials is deemed to be detrimental to the interest of national defense. The list will be prepared by the Secretary of State acting in conjunction with the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Administrator of Export Control, and the Coordinator of Commercial and Cultural Relations between the American Republics.³

Simultaneously with the issuance of the proclamation, a proclaimed list was issued by the designated Government officials containing the names of more than 1800 persons and business institutions in the other American Republics. This list is the result of long and intensive investigations and studies by the interested governmental agencies. The list will be published in the *Federal Register* and may be obtained in pamphlet form from various governmental institutions and the Federal Reserve Banks. From time to time there will be additions to and deletions from the list which will be made public.

¹ 55 Stat. (pt. 2) 1657.

² On July 17, 1941, Sumner Welles, Under Secretary of State and Chairman of the Inter-American Financial and Economic Advisory Committee, made a statement to the Committee on this action by President Roosevelt. The statement was sent to the Embassy in Brazil in telegram No. 549 of July 17, the same telegram on the same date to the Legation in Haiti as No. 148, and as a circular telegram to the other American Republics (740.00112A European War, 1939/2a).

³ Designated as the Interdepartmental Committee on the Proclaimed List, the chairman of which was Assistant Secretary of State Dean Acheson.

The President gave warning that anyone serving as a cloak for a person on the list will have his name added forthwith to the list.

The list will have two principal functions. In the first place, no article covered by the Export Control Act of July 2, 1940,⁴ may be exported to persons named in the list except under special circumstances. Secondly, persons on the list will be treated as though they were nationals of Germany or Italy within the meaning of Executive Order No. 8389, as amended,⁵ under which, on June 14, 1941, the freezing control was extended to all of the countries of the continent of Europe and nationals thereof.

At the time of the issuance of the proclamation, it was also announced that in attaining the objectives of Executive Order No. 8389, as amended, all efforts are being made to cause the least possible interference with legitimate inter-American trade. With that end in view the Treasury Department has issued a general license with respect to inter-American trade transactions and the financial transactions incidental thereto involving persons in the other American republics who may be nationals of a European country designated in the order. This general license will permit such classes of transactions without the necessity of applying for specific licenses.

The general license, however, will not apply to persons so long as their names appear on the proclaimed list. In addition, exporters and importers in the United States may from time to time be advised by their banks or otherwise that instructions have been issued by the Secretary of the Treasury requiring specific license applications for trade transactions involving certain persons in the other American republics who are not named on the proclaimed list.

Furthermore, financial transactions which are not incidental to licensed trade transactions are not covered by the general license. With respect to such purely financial transactions, appropriate specific licenses will have to be obtained from the Treasury Department.

The proclaimed list will also serve as a guide to United States firms in the selection of agents and representatives in the other American republics.

⁴ 54 Stat. 714.

⁵ Dated June 14, 1941; for text, see 6 *Federal Register* 2905.

740.00112A European War 1939/676

Memorandum of Conversation, by Mr. John Melby of the Division of the American Republics

[WASHINGTON,] August 5, 1941.

Participants: Señor Vicente Illingworth, Ecuadoran Minister of Finance
 The Ambassador of Ecuador⁶
 Mr. Geist⁷-DCA
 Mr. Melby-RA

The Minister explained that the proclaimed list of certain blocked nationals is working a hardship commercially on Ecuador. He also stated his belief that 25 per cent of the names now on the list for Ecuador have been so placed on inadequate, inaccurate and false information. He does not dispute the necessity for such a list but rather concurs in the necessity therefor. He does, however, suggest that it would be more equitable if the consent of the Ecuadoran Government were secured in each instance before the name is placed on the list and announced by this Government.

Mr. Geist thanked him for his suggestions and assured him that they would receive full consideration by this Government, that it is to be anticipated that certain injustices might be done, but that the Department was continually working to eliminate them and make the list as fair as possible. He also explained the purpose of the list. The Minister concurred with what he said, but reiterated his desire that the Government of Ecuador be consulted in all instances and promised full cooperation in any such undertaking which he said could be successful only on the basis of full and mutual understanding.

740.00112A European War 1939/479a : Circular telegram

The Secretary of State to Chiefs of Mission in the American Republics

WASHINGTON, August 8, 1941—7 p. m.

The Department is working on preparation of comprehensive instructions covering reporting on Proclaimed List matters, including recommendations for deletions and additions. Conversations are being carried on with British representatives here relating to policies and procedures for close collaboration on these matters. Pending receipt of further instructions, you are directed to maintain close cooperation with British Missions in exchanging views and informa-

⁶ Colón Eloy Alfaro.⁷ Raymond H. Geist, Chief of the Division of Commercial Affairs.

tion on firms considered for addition and deletion from Proclaimed List. In making recommendations on additions and deletions you should forward at the same time full information supporting recommendation. To facilitate distribution of information within Government here, your telegraphic communications on these matters should be sent in Gray code except where you consider use of strictly confidential code necessary.

HULL

740.00112A European War, 1939/966a

*The Secretary of State to Diplomatic and Consular Officers in
the American Republics*

WASHINGTON, August 28, 1941.

PROCEDURES AND POLICIES ON MAINTENANCE OF THE PROCLAIMED LIST
OF CERTAIN BLOCKED NATIONALS

SIRS: Reference is made to the Department's strictly confidential circular telegram of August 8, 1941 concerning Proclaimed List matters and to the previous instructions concerning the representation of American business in the other American Republics by undesirable firms identified directly or indirectly with anti-American activities.

I. BACKGROUND

From September through December 1940 a visiting group of officials of the Office of the Coordinator of Commercial and Cultural Relations between the American Republics (now the Office of the Coordinator of Inter-American Affairs), which included representatives of the Department of State and the Federal Bureau of Investigation made a survey of the nature and extent of the problem arising from the representation of American business by undesirable firms throughout the other American Republics. This survey was undertaken not as a primary investigation of these situations but was carried out primarily through consultation with the American diplomatic missions on the basis of the information then available to the missions and certain well-informed American residents recommended by the missions for such consultations. The reports made from each mission by the visiting group and the missions' reports which have been made on this subject furnished the factual basis for the cooperative program which was carried out by the Coordinator's Office in conjunction with the Department and the Department of Commerce during the first six months of 1941. This program was designed to enlist the voluntary cooperation of American foreign-trade firms in replacing agencies or sales outlets which appeared to be undesirable under exist-

ing conditions. The Department of Commerce and the American foreign service officers in the field assisted such American firms in obtaining satisfactory replacements. In the course of this cooperative program the problem was taken up individually with more than a thousand American firms and some 17,000 American companies generally interested in export trade were formally informed of the program and requested to check any new accounts with the Department of Commerce or the Coordinator's Office in order to avoid establishing new relations with undesirable or questionable firms and particularly to prevent American firms from unwittingly taking on undesirable firms which had been dropped by other American companies cooperating with the Government's program.

It is believed that by the end of June 1941 this program had resulted in substantially arresting the problem and in preparing American business for the more stringent regulatory controls which were being applied by the Export Control authorities and the Treasury Department in the administration of the "freezing orders", Executive Order No. 8389, as amended. By the end of June 1941 upwards of 1,000 accounts had been terminated with undesirable firms.

The information concerning undesirable firms which was collected in connection with this program was made available throughout this period to the Administrator of Export Control and was used by the Export Control authorities in passing on license applications for products which were subject to control. On June 17, 1941 the "freezing" of foreign funds and related transactions was extended to additional countries including Germany and Italy and nationals thereof. With this extension of the regulatory controls which potentially embraced the principal portion of American foreign trade and financial transactions, it rapidly became necessary to integrate and develop the handling of information and lists relating to undesirable trading connections. The Department by strictly confidential circular telegram of June 21, 1941⁸ requested the missions to review the British Statutory List and to indicate such omissions from and additions to this list as were desirable for the purpose of administration of the freezing controls by the Treasury Department. On the basis of the replies from the missions a list was prepared by the Department and made available for the immediate use of the Treasury. At the same time steps were taken to utilize this list in supplementing the information being used by the Export Control authorities.

⁸ Not printed.

II. THE PROCLAIMED LIST

The question of publishing a list of undesirable firms in connection with some regulatory authority had been under general consideration. The necessity of integrating so far as possible the handling of these matters by the regulatory authorities concerned and the severe dislocation to American trading and financial business with the other American Republics which was threatened unless this integration could be effected and the business community given public guidance on the question made it imperative to arrange for the publication of a list. Accordingly, on July 17, 1941 the President by Proclamation provided for the publication of "The Proclaimed List of Certain Blocked Nationals" which was first issued on that date. The President's proclamation provides that the list shall be prepared by the Secretary of State in conjunction with the Secretary of the Treasury, the Attorney General, the Secretary of Commerce, the Administrator of Export Control, and the Coordinator of Inter-American Affairs. The list as issued July 17, 1941 was prepared by these agencies on the basis of the information previously forwarded by the missions, including the names on the British Statutory List which had been approved by the missions for "freezing" purposes in reply to the Department's circular telegraphic instruction of June 21, 1941.

It was recognized that despite the efforts of those engaged in preparing the initial list to leave off cases concerning which there appeared to be any doubt on the basis of available information, there were bound, under the circumstances, to be cases which would be the subject of reconsideration shortly after publication. Accordingly, Supplement No. 1 to the Proclaimed List, dated July 28, 1941 was devoted solely to such deletions and corrections as were immediately possible. These deletions were made on the basis of the missions' replies to the Department's strictly confidential circular telegraphic instruction of June 19, 1941.⁹

III. THE DIVISION OF WORLD TRADE INTELLIGENCE

Immediately upon the issuance of the President's proclamation of July 17, 1941 and the issuance of the initial list on that date, the Department took steps to fulfill its primary responsibility with respect to the preparation of the list by establishing within the Department on July 21, 1941 the Division of World Trade Intelligence (symbol WT). This step was effected by transferring to the Department the personnel of the Special Division of the Coordinator's Office, which

⁹ Not printed.

division had had charge of the administration of the cooperative program up to that time. The Director of the Coordinator's Special Division¹⁰ was at the same time designated Acting Chief of the Division of World Trade Intelligence.

The publication of the Proclaimed List brought the cooperative program largely to a close. Henceforth the Coordinator's Office and the Department will not make recommendations for replacement other than in exceptional cases unless a firm is on the Proclaimed List. The Department of Commerce will continue to furnish American firms on inquiry with pertinent information concerning firms not on the Proclaimed List.

Under Departmental Order No. 956, of July 21, 1941,¹¹ the Division of World Trade Intelligence is charged with handling "the activities and problems envisaged in the President's Proclamation of July 17, 1941, relating to trade with aliens whose interests are inimical to the United States." The Division functions under the general administrative supervision of Assistant Secretary Dean Acheson in close collaboration with the Division of Commercial Affairs and the other divisions and offices of the Department concerned.

The Secretary of State has designated Assistant Secretary Acheson Chairman of an Interdepartmental Committee on The Proclaimed List to integrate the participation of the departments and agencies named in the President's proclamation in the preparation of the Proclaimed List. A subcommittee with similar representation has been established under the chairmanship of the Acting Chief of the Division of World Trade Intelligence to pass on all cases proposed for addition to and deletion from the list.

The Division of World Trade Intelligence is at present primarily concerned with gathering, analyzing, digesting and recording all available information concerning firms or individuals which are considered undesirable trading or financial connections for American firms under existing conditions. This information is being gathered and organized so that each case may be considered on its merits in respect to the Proclaimed List. As the information becomes available the list will be extended to cover other countries in addition to the other American Republics.

IV. (A) ADDITIONS AND DELETIONS—GENERAL

Additions to and deletions from the Proclaimed List can be made only with the publication of supplements based upon administrative orders signed by the six departments and agencies specified in the

¹⁰ John S. Dickey.

¹¹ For text, see Department of State *Bulletin*, July 26, 1941, p. 78.

President's proclamation of July 17, 1941. Supplement No. 1 containing certain deletions and amendments was issued July 28, 1941 and it is anticipated that Supplement No. 2 containing additions, deletions and amendments will be issued sometime shortly after September 1, 1941. Thereafter it is expected that supplements will be issued from time to time at intervals of approximately three weeks. The supplements will be collated and published as a basic revision quarterly or thereabouts.

As a general policy only names will be considered for addition or deletion on which a report has been received from the missions and in no event will additions or deletions be made until the proposed action has been communicated to the mission concerned for its final approval. The urgency with which these matters must generally be handled will necessitate the use of telegraphic communications in most instances. When the mission is notified that action is proposed on certain cases a telegraphic reply should be made usually within three days unless otherwise instructed; such replies should state that the proposed action is approved or not recommended or that postponement of action is recommended in specific cases. Unless otherwise advised the mission may generally assume that such final recommendations will be followed by the Department.

It will be recognized that the prompt transmission of current information and recommendations from the field is imperative if this program is to be administered efficiently and effectively. It must be emphasized that while the missions' recommendations are desired on all cases and are given primary weight in the interdepartmental deliberations, *the general rule will be to take no action on a case unless the underlying information supporting such action is available here.* The Department's ability to secure action in the interdepartmental committee will depend upon the extent and character of the information furnished. In reporting on firms proposed for deletion or addition particular care must be exercised to review all previous reports submitted on the firm in despatches, world trade directory reports or otherwise so as to avoid unexplained inconsistencies in the information on presentation of the case to the interdepartmental committee. Previous unfavorable reports should be disposed of in detail whenever a deletion is recommended. When recommendations for additions or deletions are made by telegram a summary of the salient facts underlying the recommendation in each case should be included in the same telegram and reference made to the airmail despatch furnishing full particulars. In order to facilitate the distribution of such telegraphic reports here, the gray code may be used whenever secrecy in transmission is not essential; the brown code should be used, for the transmission of information of a confidential nature.

IV. (B) POLICIES AND PROCEDURES CONCERNING ADDITIONS TO LIST

The underlying objective of the Proclaimed List is to prevent American firms and individuals from engaging in trading or financial transactions with persons who are identified directly or indirectly with objectives and activities inimical to the national defense policies of this Government and in particular the hemispheric defense policies of the American Republics. To this end we seek to deny to such persons the financial assistance and prestige resulting from the maintenance of commercial and financial connections with the United States under existing conditions. This Government is endeavoring in every feasible way to cooperate with the other American Republics to assure that their internal economies will not be disastrously disrupted by the loss of former markets and sources of supply due to the war. In many instances these efforts will entail sacrifices here and it is a natural and proper concern of this Government that such sacrifices should not be made for the benefit of firms and persons known to be unfriendly to the defense policies of this country. In other words, the Proclaimed List and the related controls of trade and financial transactions are designed for the protection of this country and of the other American Republics; the list is not to be used to place the handling of American products solely or principally in American hands and it will not be administered to serve selfish or acquisitive trade ends.

It is recognized that it is not possible to state precisely the factors which are to be taken into account in recommending specific firms for inclusion on the list. These factors will vary from country to country and from case to case depending upon local circumstances. Certain general considerations may be noted :

(1) Persons should not be recommended for inclusion merely because of German, Italian or Japanese nationality, although this fact should be reported wherever known.

(2) Consideration should be given to the position which a firm occupies as an essential part of the local economy. In all cases where the firm appears to be indubitably essential to the local economy, careful attention should be given to the possibility that the undesirable influences within the firm can be eliminated or controlled if the question is discreetly handled. All such situations should be fully reported with your recommendations.

(3) All cases should be fully reported where inclusion on the list would be called for except for local political considerations. It is to be noted that although such cases will continue to arise, they must be most carefully weighed since this approach is usually resorted to by the larger and frequently most serious offenders in endeavoring to avoid inclusion or to secure removal from the list. There is good reason to believe that indiscriminate acceptance of such considerations frequently results in an unfavorable local impression and eventual

lack of respect for the entire policy and administration governing the list.

(4) Any person acting for or on behalf of a firm on the Proclaimed List for the purpose of any transaction which is not permitted directly with a person on the Proclaimed List, shall be considered a "cloak" and the facts immediately reported to the Department. The inclusion of such a person on the Proclaimed List should be recommended if the mission has reason to believe that such a person will persist in so acting.

(5) The policies to be followed with respect to transactions between local firms, including branches of American companies, with firms on the Proclaimed List are presently being formulated. It is recognized that this entire question is highly complicated and will involve problems arising from the existence of contracts entered into prior to July 17, 1941; and in some countries local laws will have to be taken into account. Further instructions are being prepared on these aspects and pending the receipt of such instructions all such situations should be fully reported to the Department.

So far as possible the Department desires each case reported on, considered by the mission on the basis of certain basic factors. Enclosure 1 entitled "Chart of Certain Unit Factors Used In Rating" has been prepared on the basis of the experience gained in analyzing information submitted on this subject by the missions during the past year. The ratings assigned to the various factors are intended to indicate generally the significance attached to the specific factors and to give the mission some precise guidance concerning the factors taken into account here in rating firms for internal administrative purposes. A firm or individual is not necessarily given an "A" rating merely because of one "A" factor but it may be; similarly several "C-A" or "C" factors taken together may result in an "A" rating for the firm. Each case must be evaluated on its merits and any recommendation of the mission is given careful consideration. The Department believes that the value of recommendations submitted by the missions will be increased if they are related generally to a uniform pattern of rating factors.

The "Chart of Certain Unit Factors Used in Rating" is furnished merely as a general guide and it is not intended to routinize the reporting on this basis nor is it intended that the missions should attempt to rate specific factors in their reports. However, any available information bearing on the factors set forth in Enclosure 1 should be furnished for each case and it will be helpful to have the mission indicate any special reasons why specific factors reported should not be evaluated on the basis of the rating assigned on the chart. Reference is also made to Enclosure 2 of strictly confidential circular instruction of February 7, 1941, File No. 164.12/2923A,¹² with respect to other items

¹² Not printed.

of information which should be furnished. The despatch referred to related primarily to undesirable agencies but the information requested, so far as applicable, should now be furnished for any firm or individual considered an undesirable commercial or financial connection within the purview of this instruction.

The firms and individuals reported on are assigned ratings here on the basis of all available information. An "A" rating is given to persons with respect to whom there is "conclusive" information establishing the undesirability of the person as a trading or financial connection for American firms under existing conditions. Ordinarily "A" cases will be considered for inclusion on the Proclaimed List. The "C-A" rating is used for two types of cases: (1) those on which the information, although reliable, is not sufficiently serious to justify an "A" rating, and (2) those on which the information, although of a serious nature, is not sufficiently reliable or current to warrant an "A" rating. The "C" rating is used for the remaining cases which are under suspicion and require further observation. The former "B" rating has been superseded by the use of the letter "S" placed behind either "A", "C-A" or "C" cases which because of political factors or other special circumstances require special treatment (thus "A-S", "C-A-S" or "C-S").

It will be noted that the "Chart of Certain Unit Factors Used in Rating" draws a distinction between "Conclusive" and "Inconclusive" information. Information furnished by the missions or other official sources without specific indication that the reliability of the information is unknown or questioned is generally considered to be reliable and therefore "conclusive" for rating purposes. The significance attached to "conclusive" information, as indicated on the chart, depends upon the importance of the factor. "Inconclusive" information covers both information the reliability of which is specifically questioned and unconfirmed data received here from unofficial sources.

Most of the factors listed on the chart do not require comment, but it should be noted that the applicability and significance of many factors will vary with the nationality of the firm or individual concerned. In reference to the factor designated "Preference for Axis Trade" consideration must be given to the nature of the trade involved, e.g. if Germany was the logical or sole source of supply for a product the fact that a firm purchased principally or substantially from Germany might not be significant. On the other hand if a firm served as a principal or substantial supplier to Germany of a product which might have been secured from other firms in the same market there is usually good reason to believe that the firm in question, at least in recent years, was *persona grata* with the Nazi authorities. Certain of these general variations are reflected in the chart, others

must be taken into account and indicated by the individual missions as particular circumstances and local conditions necessitate.

The mission's recommendation with respect to the rating to be assigned firms as they are reported on will be helpful and the mission's opinion is desired on all cases proposed for addition to or deletion from the Proclaimed List. It is to be reemphasized, however, that such recommendations and opinions should be supported in all cases by detailed statements of the underlying facts. For example, in reporting on "cloaks" in addition to stating that a firm is acting as a "cloak" the mission should give the facts with respect to specific transactions which establish that the firm is so acting. Similarly, whenever compatible with the understanding on which information is acquired, the mission should indicate the source of its information. Whenever it is not feasible or desirable to disclose the source of information the mission's opinion concerning the reliability of the source should be indicated.

Whenever a firm is recommended for inclusion on the Proclaimed List, care should be taken to give the accurate address of the firm and to indicate the location of all branches which should be listed as well as the names and business addresses of any individuals connected with the firm who should be separately listed.

Unless the mission indicates otherwise it is assumed that all factors reported have current significance. If a report indicates that certain factors were known to be present some years ago but are no longer present, the significance which is attached to the factor depends upon the nature of the factor. Factors relating to political attitudes which are not known to have been operative since 1936 are generally given a lower rating here in evaluating the present status of the firm since prior to that time the nature of the totalitarian movement and its activities in the hemisphere were not as widely appreciated as has been the case in recent years.

It is contemplated that improvements and further clarification of the chart will be developed on the basis of subsequent experience here and in the field.

In reporting on the political status of trading and financial connections under existing conditions it is to be borne in mind that even though a particular firm may not be included on the Proclaimed List, the information may be used by the Department of Commerce in advising American firms and by the licensing authorities in the administration of the trading and financial controls. For example any firm with an "A", "C-A", or "C" rating would not ordinarily be considered by the Department of Commerce as a recommendable connection for American firms under existing conditions. Likewise, Export Control takes into account many factors in passing on license applications.

Accordingly, any limitations with respect to the application of unfavorable information for such purposes should be indicated in your reports and conversely any such specific application of the information which you think advisable should be noted.

IV. (C) POLICIES AND PROCEDURES CONCERNING DELETIONS FROM LIST

The same general procedure will be followed in making deletions as has been set forth above for additions to the list, i.e., upon receipt of information here indicating that removal of a firm should be considered the case will be presented to the interdepartmental committee; if the proposed action is approved by the committee the mission will be notified by telegram and unless objection is then raised by the mission the action will be taken with the publication of the next Supplement to the list.

Many inquiries are being received by the Department and by the missions concerning the procedure to be followed by firms in having their names removed from the list. The Department is stating in reply to such inquiries that any information available to American companies here indicating that a particular firm should be removed from the list may be submitted to the Department which will see that careful consideration is given the matter by the appropriate authorities and that the firm which is included on the list may present similar information and its representations to the mission or the nearest American consulate. In reply to such inquiries it is stated that the list as published is not final and that additions and deletions will be made from time to time on the basis of continuing study and current developments.

It is not, of course, possible to indicate the action which must be taken by firms generally in order to have a case removed from the list. Each case must be dealt with on its individual merits and the question of indicating to a firm the unsatisfactory factors in a case with a view to having them remedied must be left to the discretion of the missions. Generally such considerations are not revealed by the Department in response to written inquiries, but on occasion these matters are frankly discussed with American firms in conference. As a general rule firms cannot be considered for removal from the list until clean-cut evidence is forthcoming that the unsatisfactory conditions which resulted in the firm's inclusion have been remedied and the mission is satisfied that the future conduct of the firm can be expected to be satisfactory. Ordinarily the burden of proof must be carried by the firm in question to establish these conditions to the satisfaction of the mission.

Where special considerations are involved relating to the unique

and essential position of a firm in the local economy or to local political considerations the mission should on its own initiative thoroughly investigate the situation and report to the Department. Reference is made to the discussion of this type of situation at page 6 above.¹³

The question has been raised as to what procedure, if any, is to be adopted by this Government for receiving formal "undertakings" assuring satisfactory conduct from firms as a condition precedent to not listing a firm or to removal from the list. The British authorities have been taking such undertakings in certain cases and on occasion the results have apparently not been entirely satisfactory. For the present, this Government will not require such formal undertakings as a general policy. However, you are authorized to request or receive such informal assurances, either orally or in writing, as may appear to you to be useful in particular cases. In all cases where such assurances are received it should be made clear to the firm that the mere giving of an assurance does not guarantee the firm's removal from the list nor does it assure a firm that it will not be placed on the list at any time in the future when in this Government's opinion circumstances require such action. It should be made clear that any assurances which are given will be communicated to the authorities in Washington for consideration in the light of all the circumstances. Except in those cases where the mission considers it necessary to initiate consideration of removal of a firm because of special circumstances, the mission should not solicit such assurances for the purpose of initiating consideration of the firm for deletion. The question of soliciting assurances in such special cases is left to the mission's discretion. The opinions of the missions concerning the feasibility and advisability of establishing a procedure for receiving standardized, formal undertakings will be helpful to further consideration of this question.

In any discussions relating to the deletion of a firm on which you may make a favorable recommendation you should make clear to the firm that if it subsequently becomes necessary to consider the firm for inclusion a second time the fact that the firm was previously removed from the list will count heavily against it and that very rarely, if ever, will a firm be considered for deletion after having been put on the list a second time.

V. COOPERATION WITH THE BRITISH AUTHORITIES

The British Embassy here has taken up with the Department the question of establishing close cooperation here and in the field on

¹³ See page 276, paragraph numbered (3).

matters relating to the Statutory List and the Proclaimed List.¹⁴ The British missions have been instructed to maintain close contact with our missions on these matters and the Department desires that you maintain close contact with their missions for the purpose of establishing free and full exchanges of information and views on individual cases being considered for inclusion on or deletion from the respective lists. In line with the Department's general policy of not acting jointly with the British on matters pertaining to the other American Republics care should be exercised that such cooperation is not in the nature of joint action. Moreover, such cooperation should be carried on in such a way as to avoid giving any impression to firms or to the government to which you are accredited that joint action is involved in these matters. For example, the Department considers it inadvisable that these matters should be discussed with a firm in a joint interview with the British.

There is complete agreement between us concerning the desirability of having our lists and policies on these questions generally in harmony and it is believed that a full and free exchange of information and views on individual cases will serve this end.

We have been informed that the British missions have been instructed to report on all cases included on our list which are not on the Statutory List with a view to having such cases considered for inclusion on their list. In the meantime steps have been taken to discourage British trade with all firms on the Proclaimed List. The British authorities here have discussed with us the text of comprehensive revised instructions which London proposes shortly to send to the British missions. These instructions as drafted contemplate, it appears to us, a rather drastic reorientation of their listing policies away from the narrow trading with the enemy concept towards a broader concept which embraces the principal factors with which we have been principally concerned. It is to be noted that this development had taken place before the United States Proclaimed List was announced and it is believed that as a result of the publication of our list and the subsequent discussions which have been held here the new British instructions will be based on policies substantially parallel to our own. Close contact will continue to be maintained between us here both on individual cases and on questions of general policy pertaining to these matters.

It is anticipated that in the future there will be generally a close

¹⁴ For a British account of the beginnings of this cooperation, see W. N. Medlicott, *The Economic Blockade*, vol. I (London, His Majesty's Stationery Office, 1952), pp. 499-503; *ibid.*, vol. II (London, Her Majesty's Stationery Office, 1959), pp. 38 ff. The official primarily responsible for proclaimed list matters at the British Embassy was Noel F. Hall, one of the joint directors of the British Ministry of Economic Warfare, who was appointed on March 20, 1941, to take charge of economic warfare matters at the Embassy, with the rank of Minister.

parallel on cases added to and deleted from the respective lists, but it is not contemplated that this will be in the nature of simultaneous publication or that the same action will necessarily be taken on all cases. It is desirable that you should indicate what action the British mission is taking on all cases proposed for addition to or deletion from our list.

VI. MATTERS RELATING TO ADMINISTRATION OF EXECUTIVE ORDER No. 8389, AS AMENDED

The basic freezing order, Executive Order No. 8389, as amended, and that portion of the President's proclamation of July 17, 1941 authorizing the publication of the Proclaimed List, which is based on Section 5(b) of the Act of October 6, 1917,¹⁵ as amended, provide that the transactions covered thereby are prohibited without license. Accordingly, the power rests with the Treasury Department to grant or deny licenses for any transaction covered by the order. Moreover, under unusual circumstances the Treasury Department may issue licenses for specific transactions with firms on the Proclaimed List to the extent that the freezing order is applicable. Furthermore, the exportation from the United States to firms on the Proclaimed List of any article covered by the Export Control Act is not permitted unless a license is also obtained in accordance with Section 3 of the proclamation. Each such case is decided on its merits and the Department will endeavor to see that relevant policy considerations receive careful attention by the licensing authorities.

As matters now stand, ordinary commercial transactions with the American Republics may be carried out, pursuant to Treasury General License No. 53, with any firm not on the Proclaimed List. An export control license is necessary, however, if the product involved is exported from the United States and is subject to control.

VII. COMMUNICATIONS WITH CONSULATES

In order to assure uniform handling in each country of all cases considered for addition to or deletion from the Proclaimed List and to facilitate checking with the missions on such matters, the Chiefs of Mission are requested to arrange with the Consuls in their jurisdiction to have all reports on firms forwarded to the Department through the mission. The mission in forwarding such reports from the consulates should furnish any further information available and indicate its view with respect to recommendations made by the consulate. The Department for the present will forward all communications on these matters to the mission.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

¹⁵ 40 Stat. 411, 415.

[Enclosure]

CHART OF CERTAIN UNIT FACTORS USED IN RATING

		Nature of Information	
		Conclusive	Inconclusive
I	<i>German, Italian or Japanese Nationality or Nativity</i>	C	C
II	<i>Axis Government Ties</i>		
	Official	A	C-A
	Naval or Military Service	A	C-A
	Gestapo Member, etc.	A	C-A
III	<i>Axis Party Ties</i>		
	Party Member (Nazi, Fascist, Falangist).	A	C-A
	Party Leader—prominent Nazi or Fascist.	A	C-A
	Contributor to Party Activities.	A	C-A
	Attends meetings—		
	Regularly	A	C-A
	Occasionally	C-A	C
IV	<i>Pro-Axis Sympathies or Ties</i>		
	Member of German Club		
	(1) Ordinary German Club.	C-A	C
	(2) Club known to be Nazi.	A	C-A
	Leader of German Club	A	C-A
	Member of German colony (German nativity).	C	C
	Displays Axis emblems	A	C-A
	Voted in plebiscites	A	C-A
	Associate of known active Nazi or party member.	C-A	C
	Associate of known Nazi sympathizer.	C	C
	Trips to Axis countries, 1938 or later.	C	C
	Children to Germany for education.	C-A	C
	Children to local German school. (Rate from C to A—depending on school).		
	Employs Germans exclusively.	C-A	C
	Expressions favorable to Axis cause.	C-A	C

		<i>Nature of Information</i>	
		<i>Conclusive</i>	<i>Inconclusive</i>
Preference for Axis trade			
(1)	Bought principally Axis (products).	A . . .	C-A .
(2)	Bought substantially Axis (products).	. C-A C
(3)	Sold principally to Axis countries.	A . . .	C-A .
(4)	Sold substantially to Germany.	A . . .	C-A .
(5)	Sold substantially to Italy.	. C-A C
(6)	Sold substantially to Japan.	. C-A C
 V <i>Propaganda</i>			
	Publishes pro-Axis paper .	A . . .	C-A .
	Contributes to propaganda fund.	A . . .	C-A .
	Advertises in pro-Axis paper.	. C-A C
	Distributes Axis propaganda.	A . . .	C-A .
 VI <i>Evasion Activities</i>			
	Evasion of U.S. Export Control or "Freezing" regulations.	A . . .	C-A .
	"Cloak" for firms on U.S. Proclaimed List or British Statutory List.	A . . .	C-A .
 VII <i>Subject to Axis Pressure</i>			
	Family members in Axis country or Axis dominated country (in absence of countervailing facts).	A . . .	C-A .
	Controlled by, or "Cloak" for "A" firm; or substantial ownership in Axis country.	A . . .	C-A .
	Substantial wealth in Axis country or Axis dominated country (in absence of countervailing facts).	A . . .	C-A .

740.00112A European War, 1939/1700a

*The Secretary of State to Diplomatic and Consular Officers in the
American Republics*

WASHINGTON, September 20, 1941.

APPLICATION OF PROCLAIMED LIST OF CERTAIN BLOCKED NATIONALS

SIRS: Reference is made to the President's Proclamation of July 17, 1941, authorizing the issuance of the Proclaimed List of Certain Blocked Nationals, the objectives of which have been explained in the enclosure to circular instruction of the Department dated September 9, 1941.¹⁶

With a view to accomplishing these objectives, it is hoped that the effect of the program herein outlined will be to cut off, as completely as possible, all relationships between persons subject to the jurisdiction of the United States of America and Proclaimed List nationals.

Certain types of cases have already been brought to the attention of the Department, and they are presented below, in general categories, with comments for your guidance. Wherever reference is made to "Proclaimed List nationals", the term should be understood to include others to the extent that they are known to be acting for the benefit of such Proclaimed List nationals.

It should be noted that this instruction is limited in scope primarily to relations of persons subject to the jurisdiction of the United States with Proclaimed List nationals. The Governments of several of the American Republics have already inquired of this Government as to the measures which they may take further to implement the Proclamation and to attain its objectives. You will, from time to time, receive separate instructions as to suggestions to be made in such instances. (See Circular Instruction dated September 9, 1941). It is hoped that, with the cooperation of the Governments of the American Republics, plans may be worked out which will be sufficiently comprehensive to embrace transactions between local concerns and Proclaimed List nationals.

These instructions set forth the standard of conduct which this Government expects United States concerns to follow in their dealings with persons on the Proclaimed List. The categories enumerated are not, of course, all-inclusive. With respect to situations not covered herein, you may be guided by the principles set forth with respect to the situations herein dealt with. If any other important categories come to your attention which you feel require specific instructions, please advise this Department immediately.

If a United States concern refuses to follow the standard of con-

¹⁶ Not printed.

duct set forth herein, any one of the following sanctions might be employed in connection with such concern:

(a) The name of such concern might be placed on the Proclaimed List of Certain Blocked Nationals in so far as its local operations are concerned. This will also subject to control any relationships between this country and branches of such concern in the American Republics.

(b) Such concern or merely its Latin American branches, without being placed on the Proclaimed List might be treated as a blocked national under the freezing order and its assets in the United States blocked. The business activities of the concern in the United States or all financial and trade relationships with its branches in the American Republics may thereby be subjected to licensing control.

(c) Such concern might be prosecuted criminally for violations of the provisions of the freezing control order and the Proclamation of July 17.

(d) Other appropriate sanctions might be employed.

It is essential that United States concerns follow the standard of conduct set forth herein, not only because the cessation of all relationships between such concerns and the Proclaimed List nationals is in itself important in accomplishing the objectives of the Proclaimed List, but also because refusal to adopt such standard of conduct by United States concerns would have a harmful effect on the attitude of the local governments of those American Republics who are attempting to cooperate with this Government and with whom we are attempting to work out plans for restricting the dealings of local non-United States concerns with Proclaimed List nationals.

1. *As used in these instructions, the terms "person subject to the jurisdiction of the United States" and "United States concerns" shall include:*

(a) any citizens of the United States whether within the United States or within any foreign country;

(b) any person within the United States;

(c) any partnership, association, corporation, or other organization

(i) which is organized under the laws of the United States; or

(ii) which has its principal place of business within the United States; or

(iii) which is owned or controlled by, directly or indirectly, one or more persons subject to the jurisdiction of the United States as herein defined; and

(d) any agent, subsidiary, affiliate or other person owned or controlled, directly or indirectly, by any person subject to the jurisdiction of the United States as herein defined.

2. *Banking Activities by branches of United States banks.*

The United States banks which have branches in the American Republics are being advised by the Treasury Department that such branches may not extend credit or render service of any other kind to Proclaimed List nationals except under license. Such branches are

required to make every reasonable effort to force the immediate liquidation of all outstanding loans to such persons with respect to loans repayable on demand; when loans are payable at some fixed maturity, repayment must be required as of the earliest maturity date. With respect to deposit account relationships with Proclaimed List nationals, branches of United States banks may not receive new deposits of local currency from such persons except under license and must close out all such accounts and complete the liquidation of all such transactions. Thereafter no transactions may be engaged in except those incidental to the clearing of checks deposited to the credit of depositors not on the Proclaimed List, but with respect to which checks Proclaimed List nationals may have had some interest.

It is realized that adequate banking facilities may nevertheless be made available to Proclaimed List nationals by local banks. It is hoped, however, that with the cooperation of the governments concerned local banks may eventually be required to take parallel action.

The Treasury Department is also advising these United States banks that transactions by their branches in the American Republics in United States dollars are subject to the provisions of the Proclamation and Executive Order No. 8389; that no such transaction may be consummated and even liquidating transactions may not be carried forward, except pursuant to license. The United States banks also are being advised that their branches must immediately set aside that portion of the United States dollar deposits carried with their own head offices or other banks within the United States which represents their equivalent liabilities in terms of United States dollars to Proclaimed List nationals. Thereafter such branches may not engage in any transactions in United States dollars with, for the account of, or for the benefit of any Proclaimed List national except under license.

If any prohibited transactions carried on by branches of United States banks for the benefit of Proclaimed List nationals without a license come to your attention, you should immediately report the matter in detail to the Department.

3. Sales by United States concerns to Proclaimed List nationals.

Sales by United States concerns to Proclaimed List nationals of goods whether of domestic origin or whether imported from the United States or other countries are prohibited except under licenses whether such sales are made for cash or on credit. However, minor retail transactions may be consummated without license and you are authorized to inform interested parties accordingly. The determination of what constitutes a "minor retail transaction" depend upon the particular facts involved. It is felt, however, that there would be

included within this classification cash over-the-counter sales of goods for personal consumption or use amounting to less than \$100.

4. *Purchases by United States concerns from Proclaimed List nationals.*

Purchases by United States concerns from Proclaimed List nationals are prohibited except under license whether the goods are purchased for export to the United States, for export to other countries, or for resale or consumption within the country where the purchase is consummated. Minor retail purchases may be consummated without license and you are authorized to inform interested parties accordingly. Since in the ordinary case, however, it is easy to determine whether the name of the seller appears on the Proclaimed List, you should discourage United States concerns from making even minor retail purchases from such persons.

5. *United States concerns in the American Republics furnishing services to Proclaimed List nationals such as railroad, water, light, power, gas, telephone, telegraph, mechanical services, and other services (except those otherwise specifically covered herein).*

In view of the probability that franchises held by some of the aforementioned concerns or local law may require equality of treatment for all customers, this Government for the time being will raise no objection to United States concerns furnishing such services to Proclaimed List nationals without licenses.

Please discuss this matter with the managers of the branches of such United States concerns and ascertain what Proclaimed List nationals are obtaining important commercial services of these kinds and advise the Department.

6. *Shipping Companies and airlines transporting goods, wares and merchandise with respect to which a Proclaimed List national is known to have a property interest.*

The carrying of freight in which Proclaimed List nationals have an interest, even though the vessel or airplane does not touch at any point within the United States, if the carrier is a United States concern, is prohibited except under license.

Licenses will generally be granted where the carriers are required by the terms of their franchises, or provisions of local law, to render equal service to all customers. In such cases you should promptly communicate the facts to the Department, together with your recommendations.

7. *Sales of materials by United States concerns pursuant to contracts between such concerns and Proclaimed List nationals, when the Proclaimed List national is, in turn, under contract to execute projects for local governmental authorities, when the execution of such projects depends upon performance of contract by the United States concern.*

Even though local governmental interests may be involved, such sales are prohibited except under license. Licenses will generally be issued where it is established that refusal to grant such licenses would subject the United States concern to damages for breach of contract. In the event, moreover, that failure by the United States concern to perform its contract may result in serious dislocation of the local economy or undue inconvenience or hardship to the local governmental authority, you should promptly advise the Department of the proposed transaction, together with your findings with respect to any possible liability and other facts. Your comments should also indicate whether it is possible to arrange for the United States concern to deal directly with the local governmental authority, or through some person not on the Proclaimed List. You should, of course, endeavor to work out such arrangements whenever possible.

8. *Customs brokers and owners of lighters, docks and other shipping facilities.*

When the customs broker or the owner of lighters, docks or other shipping facilities is, himself, on the Proclaimed List, no article exported to, or imported from, the United States or any other goods, wares and merchandise in which a United States concern has any interest, may be shipped to, through, or otherwise handled by him except under license and such license will not ordinarily be granted except in cases of real hardships such as the lack of other adequate facilities.

Customs brokers or owners of lighters, docks or other shipping facilities who are United States concerns may not handle any goods, wares or merchandise in which a Proclaimed List national has any interest, except under licenses. It is hoped that, with the cooperation of the Governments of the American Republics, like concerns not subject to the jurisdiction of the United States may eventually be persuaded to follow similar policies.

9. *Newspapers, Magazines, Radio Stations, Theaters, etc.*

United States concerns may not advertise in, or otherwise deal with or patronize, newspapers, magazines or radio stations, when such concerns are Proclaimed List nationals, except under license.

Films produced in the United States may not be furnished to theaters which are Proclaimed List nationals, and the distribution of news by news services, which are United States concerns, to Proclaimed List nationals, is likewise prohibited, except under licenses.

When the newspaper, magazine, radio station or theater is itself a United States concern it may not accept advertising material offered to it by a Proclaimed List national except under license. In this connection you should use your best efforts to persuade all such United States concerns to take whatever action may seem appropriate and

suitable under the circumstances to implement the President's Proclamation and the objectives thereof as herein set forth.

You may, in appropriate instances, recommend to the Department that licenses be issued and you should, in all such recommendations, include your comment in the light of the considerations enumerated above.

10. *Apartments, houses, office space and hotels.*

Persons subject to the jurisdiction of the United States shall not enter into new agreements (including renewals) for the rental of houses, apartments, rooms or office space with owners who are Proclaimed List nationals except under licenses. Such licenses will generally be denied unless it is established that genuine hardship will result through the denial of such licenses (as for instance, because of lack of adequate housing facilities). In such cases you should report the facts immediately to the Department, together with your recommendation.

With respect to bona fide leases now in existence, persons subject to the jurisdiction of the United States should terminate such leases as soon as legally practicable unless genuine hardship would result (as for instance, because of lack of housing facilities) or unless such termination would result in the lessor thereupon being put in a position to enter into new agreements with other persons at increased rentals. Until such leases are terminated you are authorized to advise interested parties that compliance with their terms, including payments of rent, is permissible.

You should, by all appropriate means, attempt to discourage persons subject to the jurisdiction of the United States from using or otherwise patronizing hotels appearing on the Proclaimed List.

11. *In those cases where the issue is raised that the failure to perform a particular transaction will result in the United States concern involved being held liable, for breach of contract or otherwise, under local law, you should be guided by the following considerations:*

You should bear in mind that where a license is required under the Proclamation of July 17, 1941, and Executive Order No. 8389, the refusal to grant such a license by the United States Government means that such transaction can not be performed without violating the laws of the United States. Accordingly, the United States concern may, depending upon all the circumstances, be able to excuse performance under local law by reason of the fact that the performance is impossible under the laws of the United States. Of course, whether this defense of "impossibility of performance" would be recognized by the competent local authorities as a valid defense may depend upon a number of factors. In such cases, you should attempt to ascertain from such sources as you may deem desirable how the local authorities

are apt to react in such a situation and you should report your findings on this question to the Department as soon as possible.

12. *In those cases where you deem such action to be warranted, you should refer to the Department specific requests for licenses to engage in transactions with Proclaimed List nationals. In such cases you should include a detailed report of the relevant facts together with your considered recommendation, having particularly in mind the questions whether:*

(a) denial of such licenses would have the effect of causing the Proclaimed List National to enjoy an undeserved profit;

(b) denial of such licenses would have a substantial adverse effect on our relations with the country involved;

(c) disproportionate hardship would be suffered by American interests.

In emergency cases in which time does not permit the filing of an application for a license and deliberation by the Treasury Department in Washington, you are authorized, if you are prepared to recommend the issuance of a license by the Treasury and if you are satisfied that failure so to do would irrevocably produce the undesired results enumerated in (a), (b), or (c) above, to advise the United States concern that, pending determination by the Treasury as to whether a license will be issued, it may perform such part of the transaction as is absolutely necessary in order to avoid irrevocably producing such results.

13. *Where a program such as that proposed by Guatemala (see Circular Instructions dated September 9, 1941), is adopted and is approved by this Government, it is envisaged that United States concerns will be authorized to engage in transactions consistent with such program.*

14. *Where licenses are referred to in those instructions, the procedure to be followed in obtaining such licenses is the procedure set forth in the United States freezing order (Executive Order No. 8389, as amended) and the Regulations issued pursuant thereto. A supply of these documents is being forwarded to you immediately. In appropriate cases you should suggest that applications for such licenses should be made by the head office, parent or affiliate within the United States. In cases where there is no such connection within the United States, applications for licenses under Executive Order No. 8389, prepared in triplicate on Form TFE-1, should be filed with you. In such cases you should assign to each such application a serial number (beginning with 1) prefixed by the name of the city in which your office is located. Two copies of each such application, together with your relative recommendations, should be forwarded promptly to the Department for appropriate reference to the Treasury Depart-*

ment. Supplies of Form TFE-1 are being forwarded to you immediately.

15. With respect to the export of goods, wares and merchandise from the United States, a license issued pursuant to Executive Order No. 8389 does not relieve the exporter of the necessity of also satisfying the requirements of Section 3 of the Proclamation.

Very truly yours,

For the Secretary of State:
DEAN ACHESON

740.00112A European War, 1939/1868a : Circular telegram

The Secretary of State to All Diplomatic and Consular Offices in the American Republics

WASHINGTON, September 22, 1941—3 p. m.

Treasury Department is advising United States banks which have branches in the American republics with respect to the policy to be followed in dealing with Proclaimed List nationals. It is understood that the central offices in this country will advise the local branches in detail with respect to these policies which are to be put into effect on Monday September 29.

In general such branches are not to extend credit or render other services to Proclaimed List nationals except under license. Reasonable efforts are to be made to force the immediate liquidation of outstanding loans and new deposits of Proclaimed List nationals will not be accepted and existing deposit relationships are to be terminated. Thereafter no transactions may be engaged in except those incidental to the clearing of checks deposited to the credit of depositors not on the Proclaimed List, but with respect to which checks Proclaimed List nationals may have had some interest.

No transactions by such branches in United States dollars may be consummated except pursuant to license and such branches must set aside that portion of the United States dollar deposits carried with their own head offices or other banks within the United States which represents their equivalent liabilities in terms of United States dollars to Proclaimed List nationals.

The above policies have been explained to representatives of the British Embassy and the Canadian Legation¹⁷ and steps are being taken by them to have British and Canadian branches in the American republics take parallel action beginning September 29.

¹⁷ For an unofficial Canadian account of early U.S.-Canadian cooperation on proclaimed list matters, see R. Warren James, *Wartime Economic Cooperation: A Study of Relations between Canada and the United States* (Toronto, The Ryerson Press, 1949), pp. 165-170.

Detailed instructions with respect to this issue and other questions concerning transactions between United States concerns and Proclaimed List nationals are being sent by air mail.

HULL

740.00112A European War, 1939/1868a Suppl: Circular telegram

The Secretary of State to All Diplomatic and Consular Offices in the American Republics

WASHINGTON, September 26, 1941—8 p. m.

Supplementing circular telegram of September 22, 3 p. m. dealing with policy of branches of United States banks in the American republics with respect to Proclaimed List nationals. British and Canadian banks in American republics definitely to take parallel action on same date, September 29. American banks are being instructed not to accept new accounts for persons on British statutory list even though such persons are not on Proclaimed List and to send complete information to Treasury as to all existing accounts of such persons. It would appear advisable for you to keep in close contact with British missions on all questions involving relationship with banks to Proclaimed List nationals, but it would be undesirable to have any formal joint clearance on matters requiring approval of mission.

HULL

740.00112A European War 1939/2556a: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, October 1, 1941—7 p. m.

356. From the Under Secretary. The Chilean Ambassador ^{17a} called to see me this morning to convey to me instructions he had received from his Foreign Minister. These instructions implied that the recent inclusion of additional names on the Chilean Black List involved some form of unwarranted interference by the United States in the domestic affairs of Chile in derogation of Chilean sovereignty. I said to the Ambassador that I was surprised at his reporting a message of this character inasmuch as when the Black List was originally published it had been made entirely clear by this Government and by its representatives that the proclamation by the President of the Black List had resulted from the fact that many individuals and firms throughout the Americas had been availing themselves of the financial and commercial connections which they had in the United States in order to undertake activities directed against the

^{17a} Rodolfo Michels.

United States and directed as well against inter-American solidarity and against the best interests of all of the American Republics at a very critical moment in the history of the world when frank and full cooperation between all of the American Republics is imperative and at a moment when all obstacles to cooperation should be eliminated. I reiterated various other reasons already made clear and said that I did not agree for a moment that the action taken by this Government warranted an interpretation that such action constituted interference in the domestic concerns of the other American Republics.

I added that, inasmuch as the Ambassador and I had always spoken with the utmost frankness regarding all questions involving the interests of our two countries, I had recently received reports which I trusted were unfounded that the Chilean Government was endeavoring to secure the support of other American governments to a protest to the United States against the Black List. (For your strictly confidential information, a report to this effect has just come from the Embassy in Rio de Janeiro.)¹⁸

In conclusion I said that all of our missions have standing instructions to report immediately to the Department of State if they believe that the inclusion of any names in the Black List is unjustified or if they feel that any names should be eliminated from the Black List, and that consequently I assumed that if the Foreign Minister possessed reasons which made him believe that the addition of the new names to which he referred was unjust or due to erroneous information, he would at once communicate his reasons for requesting the exclusion of such names to your Embassy.

I shall keep you informed of any further evidence the Department may receive indicating that the Chilean Government is in fact trying to pave the way for a joint protest against the Black List, but in the meantime I believe it would be helpful for you to have a conversation with the Foreign Minister at an early moment and ascertain what his real reasons may be for the instructions he has sent to Ambassador Michels. [Welles.]

HULL

740.00112A European War, 1939/2878

Memorandum by the Chief of the Division of the American Republics (Bonsal) to the Under Secretary of State (Welles)

[WASHINGTON,] October 8, 1941.

MR. WELLES: The Chilean Ambassador called on me yesterday evening and discussed at some length the views of his Government

¹⁸ Telegram No. 1392, September 29, 1941, not printed.

regarding the Proclaimed List. He emphasized that the Chilean Government had at no time had any intention of taking the initiative in any sort of a collective protest regarding this matter, but that apparently Chilean representatives in certain of the other American republics had been instructed to investigate reports that certain other governments were agitating the possibility of such a protest.

The Ambassador referred to the fact that he had already had a discussion with you on this matter and that he was hoping to see you again on Friday morning.¹⁹ He is strongly impressed with the desirability of our Government's accepting the "guarantee" of the Chilean Government as a basis for the deletion of certain firms from the Proclaimed List. I did not mention any individual companies, although I asked him whether he had any in mind. Apparently the "guarantee" of the Chilean Government would consist of a statement to the effect that that Government, following careful investigation, was convinced that a specified firm on the Proclaimed List was not engaged and would not thereafter engage in activities inimical to the United States. I did not express any view regarding this proposal, but we did discuss the purposes and objectives of the Proclaimed List in general. I said that of course both the Embassy in Santiago and the Department would welcome information or suggestions from the Chilean Government regarding individual cases.

It is the Ambassador's opinion that the usefulness of the "guarantee" plan would be to convert the Proclaimed List from a unilateral measure on our part to a cooperative venture in which all the American republics would participate. It is my view that we cannot accept the "guarantee" plan in principle, but I hope that we will continue to give considerable weight to expressions of official opinion regarding firms and individuals carried on the Proclaimed List. There can be no question of the value of the Proclaimed List as a measure of economic warfare; at the same time, it is, in my opinion, unless very carefully handled, apt to affect unfavorably the long-term development of our relations with the other American republics.

PHILIP W. BONSALE

¹⁹ October 10.

740.00112A European War, 1939/3880

*Memorandum of Conversation, by Mr. Edward G. Miller, Jr., of the
Foreign Funds Control Division*

[WASHINGTON,] October 8, 1941.

Baron van Boetzelaer and Count van Rechteren of the Dutch Legation²⁰ called this morning, at my request, to confer with me and Mr. Timmons of Foreign Funds Control.^{20a}

They were given copies of a circular instruction to American representatives in the other American Republics,²¹ covering certain principles applicable to dealing with persons on the Proclaimed List. Their attention was drawn particularly to the section on banking facilities, and in addition they were informed that by a subsequent circular telegram these instructions have been amended so as to cover dealings by American banks with persons on the British Statutory List as well as with persons on the American Proclaimed List. It was explained that the British and Canadian Governments had already been consulted with a view towards their issuing parallel instructions to branches or agencies of British and Canadian banks in South America and that, pursuant to the agreement of those Governments, parallel instructions have been sent to be effective as of September 29, 1941.²²

It was pointed out that the attempt to restrict banking facilities available to persons on the British Statutory List, or the American Proclaimed List, would be more efficacious if the Netherlands Government should issue parallel instructions to branches or agencies of Dutch banks in South America.

Baron van Boetzelaer stated that the only Dutch bank in South America is the Banco Holandéz Unido (which I understand has offices in Buenos Aires, Caracas, Maracaibo, Rio de Janeiro, Santos and São Paulo and all of which are generally licensed nationals under General License 19 issued under Executive Order). He stated that for some time this bank has been following a policy of refusing all business with German nationals in South America. There followed a discussion of the differences between the British Statutory List and the Proclaimed List, and also the Canadian List of Specified Persons. It was pointed out that the British and Canadian Lists were substantially identical, but that the American List was somewhat larger than the others. It was emphasized, however, that so far as American,

²⁰ Minister Counselor, and Counselor of Legation, respectively.

^{20a} Treasury Department.

²¹ Circular instruction of August 28, p. 271.

²² Note of September 25, from Mr. Hall of the British Embassy, and note of September 29, from the Canadian Embassy; neither printed.

British and Canadian banks are concerned, instructions had been issued covering dealings on the part of such banks with persons on both the British and American Lists.

The representatives of the Dutch Legation raised the question as to whether banks in South America other than the American, British and Canadian banks might be prevailed upon to take parallel action. They referred specifically to the Banque Italo-Belge, and we replied that we were planning in the immediate future to ask the Belgian Government to take similar action with respect to this bank. We also stated that we realized that adequate banking facilities might be made available to the Proclaimed List nationals by local banks, but that it was hoped that with the cooperation of the Governments concerned, local banks may eventually be required to take parallel action.

The representatives of the Dutch Legation appeared to be favorably impressed by the proposal but stated that, of course, they would be unable to take any steps in the matter without consulting with London. There was handed to them a copy of a memorandum paraphrasing the circular instructions sent out by the State Department in so far as concerns the operations of American banks.

After the representatives of the Netherlands Legation had gone, Mr. Timmons telephoned to Mr. Noel Hall and referred to Mr. Hall's letter to Mr. Acheson, dated September 30, 1941,²³ in which there was raised the question of asking the Banco Holandéz Unido and the Belgian bank to take action similar to that taken by the American, British and Canadian banks. Mr. Hall was informed of our conference with the representatives of the Netherlands Government and he stated that he would get in touch with them immediately and furnish them with a copy of the instructions sent by the British Government to the British banks; he also stated that he would cable to London and ask the British Ministry of Economic Warfare to approach the Dutch Government on this subject. Mr. Timmons said that we were also planning to ask representatives of the Belgian Embassy to come in to see us with respect to the Banque Italo-Belge and he said that it might be advisable to have representatives of the British Embassy come in; Mr. Hall agreed that this would be a desirable procedure and it is hoped that it will be possible to have such a conference tomorrow at which Mr. Stopford²⁴ will be present.

E. G. MILLER

²³ Not found in Department files.

²⁴ Robert J. Stopford, Financial Counselor of the British Embassy.

740.00112A European War 1939/2776a

The Secretary of State to Certain Diplomatic and Consular Officers

WASHINGTON, October 17, 1941.

EXTENSION OF PROCLAIMED LIST OF CERTAIN BLOCKED NATIONALS TO
COUNTRIES OUTSIDE THE OTHER AMERICAN REPUBLICS

SIRS: With reference to the Department's Circular telegraphic instruction of July 24, 1941,²⁵ sent to all Foreign Service establishments in non-belligerent or Axis-unoccupied countries outside of the Western Hemisphere, and to telegraphic instruction of October 7, 1941²⁶ to certain Missions, concerning reports desired on Axis or Axis-affiliated business concerns and individuals, there are transmitted herewith copies of the Department's circular instructions of August 28, 1941,²⁶ and September 20, 1941²⁷ addressed to American Diplomatic and Consular Officers in the American Republics, file no. 740.00112A European War 1939/966A, and file No. 740.00112A European War, 1939/1700A concerning procedures and policies on maintenance of and application of the Proclaimed List of Certain Blocked Nationals.

As indicated by the instruction of August 28, 1941 the Proclaimed List thus far has been restricted to concerns identified with pro-Axis activities in the other American republics. The Department is now considering the extension of the Proclaimed List to include business firms in certain other neutral, non-belligerent or Axis-unoccupied countries with a view to making the list as complete and effective as possible from a world-wide point of view. Policy considerations may make it inadvisable to extend the Proclaimed List to certain countries and consideration is being given to controlling trade and financial transactions in those areas by a confidential black list.

The present instruction is being sent to all field offices outside of the other American republics, with a view to providing them with background and reference material concerning the principles underlying and objectives of the Proclaimed List. It is recognized that many aspects of the problem in the other American republics as covered in the enclosed instructions will not be relevant to other areas.

The Department is desirous of receiving from the Missions in those countries outside of the Western Hemisphere to which the telegraphic instructions under reference have been sent the names and addresses of firms in the respective countries which, because of Axis nationality or affiliations, Axis ideological outlook, or pro-Axis activities, would

²⁵ Not printed.

²⁶ *Ante*, p. 271.

²⁷ *Ante*, p. 286.

be considered undesirable as trade or financial contacts for American business houses under existing conditions and which, therefore, should properly be included in the Proclaimed List of Certain Blocked Nationals or in a confidential black list. The lists of names of firms which the Missions receiving specific telegraphic instructions will submit should contain all available data for providing an accurate picture of the individual firm reported upon and should indicate the specific reasons for which inclusion of the firm in the Proclaimed List or in a confidential list is considered desirable in the protection of American interests and furtherance of this Government's national defense policies.

In reporting names of firms recommended for the Proclaimed List, the Mission should make special mention of any serious adverse effects upon the national economy of the foreign country, or any serious political consequences, which might result from the inclusion of specific firms in the Proclaimed List.

It is not desired that reporting Missions delay submitting names of firms suitable for the Proclaimed List until complete lists of all known and suspected Axis-affiliated concerns in the country can be submitted in one report. Rather is it desired that names of firms be submitted in groups as soon as possible following completion of the requisite field investigations, the first group, relating to firms regarding which information is most readily available, being followed by subsequent contributions of groups of names from time to time, as circumstances may permit.

It is desired that the work of preparing lists of firms intended for the Proclaimed List be centralized in the Missions so far as possible, so that it can be coordinated upon a uniform basis of maximum efficiency for the entire country in question, the Missions calling upon consular offices in outlying cities for cooperation in reporting upon firms in their respective districts. It is also desired that reporting Missions and consular offices consult local British authorities so that the benefit of their views and information may be secured in connection with the consideration of specific firms.

The Department will be pleased to receive constructive observations of field officers assigned to the work of reporting upon pro-Axis firms concerning the desirability and utility of extending the Proclaimed List or a confidential black list to their territory, together with recommendations concerning most advantageous methods by which the work of reporting upon such undesirable firms might be most efficiently developed.

Very truly yours,

For the Secretary of State:
DEAN ACHESON

740.00112A European War, 1939/2893 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, October 21, 1941—6 p. m.

[Received 7:10 p. m.]

1550. The Minister for Foreign Affairs told me last night that he is constantly receiving protests against the Proclaimed List and that enemies of the United States and the Vargas Administration are saying that "the Americans are interfering in the internal affairs of Brazil and are trespassing on the rights of the Brazilian Government."

The Minister strongly objects to the publication of the Proclaimed List and says that although he has always refused to support proposals to protest against the list (my telegram 1392, September 29, 10 p.m.²⁸), opposition is becoming so strong that unless we discontinue the publication of it, the Brazilian Government may be forced to express its disapproval. (I believe Aranha is bluffing.)

I have pointed out to the Minister that the work we are doing is in the interest of Brazil as well as of the United States and, although he appreciates this point, he is disturbed over the number of protests he is receiving, which he feels would be considerably reduced if we were to cease publication of changes in the list.

The Minister again said "How can you expect us to acknowledge your list when you do not blacklist undesirable firms in the United States?"

I repeat that I am endeavoring to pacify Aranha on this; but not with much success thus far.

CAFFERY

740.00112A European War, 1939/4866

*Memorandum of Conversation, by Mr. Edward G. Miller, Jr., of the
Foreign Funds Control Division*

[WASHINGTON,] November 3, 1941.

Baron van Boetzelaer and Count van Rechteren of the Netherlands Legation called this afternoon at their request and were received by Mr. Timmons of Foreign Funds Control and Mr. Miller of the State Department.

They referred to our conference of October 8, at which it had been suggested to them that it would be desirable for the Netherlands Government to issue to the branches of the Banco Holandéz Unido in

²⁸ Not printed.

South America instructions with respect to dealings with persons on the Proclaimed and Statutory Lists, similar to the instructions issued by the American, British and Canadian Governments in September. Baron van Boetzelaer stated that he had now heard from the Netherlands Government in London that the instructions had already been issued to the Banco Holandéz Unido. They emphasized that the issuance of the instructions amounted only to formalizing an already existing situation, since all Netherland firms are advised by the Netherlands Government to have no dealings with firms on either the Proclaimed or Statutory List.

Mr. Miller referred to Baron van Boetzelaer's inquiry at the previous conference as to whether we were planning to request the Belgian banks in South America to adopt a parallel program. Mr. Miller stated that this question had been discussed with the British Embassy here and that a conference is to be held tomorrow with Count de Gruben of the Belgian Embassy ²⁹ to suggest that similar instructions be issued by the Belgian Government. Mr. Miller pointed out, however, that Belgian banks in South America, such as Banque Italo-Belge, are probably cooperating already in this program on the basis of representation made by the British Government. The representatives of the Netherlands Government agreed that it would be in order for us to disclose to the Belgians that the Netherlands Government has issued the instructions to the Netherlands banks.

Count van Rechteren inquired whether any progress had been made towards the end of having locally owned banks in South America cooperate in our program. It was explained to him that this matter is still under consideration, that we realize that adequate banking facilities will continue to be available to persons on the Proclaimed List, even though all Allied banks refuse to do business with such persons, but that the adoption of the program by our Governments is a pre-requisite to making any representations to the South American Governments along this line. Mr. Timmons and Mr. Miller explained in general terms the success which our Government has had in Haiti, Costa Rica, Guatemala and other countries in obtaining cooperation from the local governments, and stated that we would keep them informed as to further developments in this field.

(There is attached a copy ³⁰ of the instructions which it is understood the Netherlands Government is sending to Netherlands banks in South America).

E. G. MILLER

²⁹ Baron Hervé de Gruben, Counselor of Embassy.

³⁰ Not printed.

740.00112A European War, 1939/4718

Memorandum of Conversation, by Mr. Jacques J. Reinstein, Assistant to Assistant Secretary of State Acheson

[WASHINGTON,] November 3,⁸¹ 1941.

Participants: Mr. A. K. Helm, Counselor of the British Embassy and Mr. C. T. Crowe, British Embassy; Mr. Hume Wrong, Counselor, Canadian Legation and Mr. Macdonnell, Second Secretary, Canadian Legation; Mr. Acheson, Mr. Dickey, Mr. Reinstein.

Mr. Helm submitted the attached memorandum, dated November 3,⁸² regarding the desirability of bringing the British Statutory List and the United States Proclaimed List as close as possible into line. The subject and procedure for exchange of information regarding the inclusion of persons on both lists was discussed in detail, and it was agreed that appropriate instructions would be issued by both governments to their missions regarding the matter. These instructions are contained in the Department's circular instruction of November 25, a copy of which is also attached.⁸³

740.00112A European War, 1939/3616 : Telegram

The Secretary of State to the Ambassador in Colombia (Braden)

WASHINGTON, November 12, 1941—9 p. m.

409. Your 544, November 10, 5 p. m.⁸⁴ I am very disturbed by the action taken by the Colombian Senate and believe it would be desirable for you to seek an immediate interview with the President to discuss the matter.

At your interview with the President please tell him that the President and I have always considered him as one of those who understood most clearly the issues involved in the present struggle to resist the ruthless spread of totalitarian aggression. Indeed, no greater support

⁸¹ Date as in original memorandum. Note, however, reference in final sentence to instruction of November 25.

⁸² Not printed.

⁸³ *Post*, p. 310.

⁸⁴ Not printed; in this telegram the Ambassador summarized a recently published Colombian Senate report which was extremely critical of the objectives and preparation of the Proclaimed List. The Senate Committee intended that the report should be transmitted to the "Chancelleries of the American Republics". (740.00112A European War, 1939/3616). A Senate resolution approved the report. In telegram No. 554, November 13, 11 p. m., from the Ambassador in Colombia (not printed) he reported that (1) an interview with President Eduardo Santos would have to await the latter's return to the city on November 17; (2) according to competent legal opinion the Senate resolution was unconstitutional; (3) after consultation with some of his diplomatic colleagues, he was inclined to agree with Foreign Minister Luis López de Mesa, who felt that the resolution would receive only passing notice elsewhere (740.00112A European War, 1939/3709).

of inter-American solidarity has been forthcoming from any country than that given by Colombia during his administration.

It is precisely because of the President's outstanding service in defense of the ideals for which this hemisphere has stood that I take the liberty of bringing to his attention the disruptive effects which unquestionably will result if the report of the Colombian Senate is submitted to the chancelleries of the other American republics. I hasten to express this judgment to you without having taken the time to study fully the reasons given in the report for the action taken and without precise knowledge as to the discretion which the Executive may exercise under the Colombian Constitution. It appears to me certain, however, that the submission of this report adopted by the Senate of Colombia will be accepted by the other American republics as the considered judgment of the Colombian Government. If information available here is correct, the Senate did not have the guidance or advice of the President of Colombia nor did the President of Colombia attempt in any way to influence the deliberations of the Senate. It therefore appears that the report represents the views not of the Government but only of one house of the Colombian Congress. In the second place, it is already obvious that the totalitarian governments are going to employ the report as a proof of their insistent view that the American republics are opposed to the Proclaimed List established by this Government. Formal submission of the report by the Colombian Government to the other American republics will give additional ammunition to the Axis because the act of submission will be made to appear as an endeavor on the part of the Colombian Government to line up against this Government's policy the other American countries.

At this very critical juncture in the world crisis the unity of the twenty-one American republics in opposing the ruthless aggression of the totalitarian nations is indispensable to the very safety and security of each one of the other American republics. The totalitarian forces are working day and night attempting to find a crack in the structure of inter-American solidarity. It would, therefore, be most unfortunate were an opening gratuitously to be afforded to those who would like to destroy us.

It is, therefore, very earnestly hoped that the President will find it possible within his constitutional powers to withhold circulation of the report to the other American countries.

The adoption of this report by the Colombian Senate has come as an abrupt surprise to the Department, which, although aware of the views of certain Senators, did not think they were shared by the majority of the Senate. As you know, the Interdepartmental Committee, which handles Proclaimed List matters, has always been ready

to consider any objections which the Colombian Government might have had to the Proclaimed List.

Please keep the Department fully posted by telegram.

HULL

740.00112A European War, 1939/3751 : Telegram

The Ambassador in Colombia (Braden) to the Secretary of State

BOGOTÁ, November 14, 1941—9 p. m.
[Received November 15—1:26 a. m.]

558. My telegram No. 554, November 13, 11 p. m.³⁵ This afternoon Minister of Foreign Relations after a long talk over the telephone with the President informed me as follows:

1. The Minister had obtained from the Senate Secretariat, and would hold, the resolution which was to have been transmitted to other chancelleries. He was confident he could obtain the committee's consent not to send it [at] all. Thus the most pressing feature of the situation had been adjusted.

2. The President would see me so soon as possible after his return to the city on Monday or Tuesday.³⁶

3. Speaking personally as friend to friend and in most complete confidence he wished to convey to me the President's thoughts which were basic and in substance as follows:

(a) President Roosevelt, the Secretary and the Under Secretary, whom he and Santos admired as practically supermen, could always count on this Government's unreserved dedication to American solidarity and democracy so long as he and President Santos remain in office.

(b) They did not understand how our Government in its preoccupation with tremendous problems could simultaneously divert its attention to such relatively insignificant matters since there were at least nine or ten elements of the defense program far more important than the Proclaimed List. Our great attention to the latter could not be understood by the Latin mind.

(c) A fundament of our inter-American program is consultation on all defense activities (the implication was clear that we had not consulted in regard to the Proclaimed List).

(d) Colombia, by reason of its complete adherence to inter-American solidarity and the implementing agreements was obligated frankly to express any difference of opinion which might arise. Colombia's

³⁵ Not printed, but see footnote 34, p. 303.

³⁶ November 17 and 18, respectively. Ambassador Braden's interview with President Santos did not take place until Friday, November 21, when, as he reported in telegram No. 573, November 21, 7 p. m., (not printed), he reiterated the views expressed herein. President Santos replied that (1) under no circumstances would he permit the Senate report to be circulated to other American Governments; (2) he would instruct the Foreign Ministry to announce that constitutionally only the President had the right to communicate with other nations; hence, the concluding paragraph of the Senate report was ineffective. (740.00112A European War, 1939/3944)

views in these particulars had been made known to all the other chancelleries by its declarations at recent conferences.

(e) In conclusion it was fatal to concentrate one's attention on minor details.

I thanked the Minister for his action in stopping distribution of the Senate report, detailed the many misinterpretations, false accusations and injustices contained in that document which necessarily would be misunderstood and might do great harm in the other American Republics including the United States.³⁷ It would be capitalized on by the Nazis everywhere including in Tokyo as I outlined to him October 29 in compliance with Department's telegram No. 371.³⁸ While there were more important factors in the defense program, at this time Proclaimed List was one of the most effective actions taken especially in combatting the strongly organized fifth column which we had in all of our countries. It was precisely neglect of details in the face of well-known German efficiency that had led to the downfall of one country after another, and in the face of the totalitarian menace to our very existence we could not neglect the slightest possibility of danger.

At one point in the conversation the Minister expressed the hope we might at least consult the Ministry on a few Proclaimed List cases. I observed that we had consulted with the Foreign Office committee on cases and pointed out that of 349 names listed there had been comment made by either the executive or legislative branches of the Colombian Government in only one instance where the accuracy of our information had not been questioned. Moreover, some Colombian firms obtained the business lost by the totalitarian. I emphasized our continued cooperation with Colombia in many different ways which involved substantial sacrifices by us and that it was [not?] for us to make such sacrifices in benefit of those whom we believe to be directly or indirectly dangerous to the defense of the United States or the hemisphere.³⁹

I said the Senate report quoted only those parts of Habana agreement to Uruguay [*sic*] which provided for consultation and it omitted any reference to the obligations of each American Government to adopt all necessary measures within its territory and to eradicate the spread of totalitarian fundamentals. We had promulgated Proclaimed List strictly in compliance with these latter obligations.

At the end of this hour and three-quarters conversation the Minister

³⁷ In telegram No. 347, November 24, 5 p. m., the Minister in Costa Rica observed that "the recent reported action of the Colombian Government in regard to our Proclaimed List has received continuous publicity here" (740.00112A European War, 1939/4013).

³⁸ Not printed.

³⁹ Part of this sentence apparently garbled.

thanked me for my statements to which he raised no counter arguments.

BRADEN

740.00112A European War, 1939/3885a : Telegram

*The Secretary of State to the Ambassador in Brazil (Caffery)*⁴⁰

WASHINGTON, November 17, 1941—8 p. m.

1159. The Belgian Embassy has advised the Department that instructions have been issued to branches of the Banque Italo-Belge in Brazil, Uruguay and Argentina requiring these branches to conform with the course of conduct set forth in paragraph number 2 of Department's circular instruction September 20 and in circular telegrams of September 22 and 26. The instructions of the Belgian Government require the branches of the Banque Italo-Belge to have no dealings with individuals or firms who are mentioned on the Proclaimed List, as well as those which appear on the British Statutory List. The Belgian Embassy has suggested that the chiefs of Belgian missions in Brazil, Uruguay and Argentina keep in close contact with the American and British missions in connection with questions concerning the application and interpretation of these instructions. You should informally and confidentially keep the Belgian mission informed of any developments in this field and obtain from it information and submit periodic reports to the Department as to the actual operation of the branches of the Banque Italo-Belge pursuant to the said instructions.

Inform appropriate Consuls of the foregoing.

HULL

740.00112A European War, 1939/4014a

The Secretary of State to Diplomatic Representatives in the American Republics

WASHINGTON, November 25, 1941.

Sirs: Reference is made to Strictly Confidential Circular Instruction of August 28, 1941 entitled "Procedures and Policies on Maintenance of the Proclaimed List of Certain Blocked Nationals", File No. 740.00112A European War 1939/966A.

There is enclosed a copy of a confidential list of unsatisfactory consignees⁴¹ which has been prepared and used by the Office of Export Control in passing on license applications. To date the Department

⁴⁰ Repeated to Argentina as No. 935, and to Uruguay as No. 310.

⁴¹ Not printed.

has had nothing to do with the preparation of the confidential list. Recently the Department concluded arrangements with the Economic Defense Board, which now administers Export Control, to have the maintenance of the confidential list handled by the Department. The list is to be revised by the Department on the basis of the information contained in the Department's files and on the basis of your recommendations. The Export Control authorities have informed the Department that the list is mainly composed of individuals who have been reported as being associated in one way or another with firms on the Proclaimed List or with other firms which the Export Control authorities have considered to be unsatisfactory consignees. The primary purpose of the confidential list as presently constituted has been to prevent "cloaking" activities by such individuals on behalf of the firms with which they are identified. On the other hand there are a considerable number of firms on this list which have not yet been considered for the Proclaimed List and the individuals associated with such firms are also included.

The Department is now engaged in checking the list against its files in order to identify all cases which have an "A" rating in the Department's records on the basis of unfavorable information in the Department's possession, but which are not yet included on the Proclaimed List. As soon as these "A" cases have been identified the Export Control authorities will recheck the list to indicate each name which is associated with either a Proclaimed List firm or with the "A" cases and a revised confidential list will then be put into effect which will contain only the "A" cases and the names of persons who, according to Export Control's records, are identified with either an "A" firm or a Proclaimed List firm. All other names now on the list will be eliminated pending receipt of a report based upon your review of the list.

It is contemplated that the "A" cases referred to above will be reviewed as rapidly as possible with a view to proposing most cases for inclusion on the Proclaimed List. In the future the confidential list will be confined in the main to three types of cases:

(1) Individuals who are identified with Proclaimed List firms either as owners, partners, directors, stockholders, employees, et cetera, but who have not been recommended for individual listing on the Proclaimed List. Experience has shown that such persons frequently are utilized as "cloaks", but it is not desirable to include many such individuals on the Proclaimed List until their status as an actual cloak is established.

(2) Firms and individuals being considered for the Proclaimed List, i.e., firms with an "A" rating which will go onto the Proclaimed List in a short time, but which can be put under immediate control by including the name on the confidential list.

(3) Persons and firms who would be included on the Proclaimed List except for special considerations, i.e., the "A-S" cases.

The Department recognizes the many difficulties inherent in the maintenance and operation of a confidential list, but for the present at least it appears necessary to maintain such a list as a complementary control to the Proclaimed List. The confidential list will be kept as small and as flexible in operation as is feasible. Cases should not generally be recommended for the confidential list merely because the evidence is not strong enough to warrant inclusion on the Proclaimed List, except in the case of firms or individuals who are associated with Proclaimed List firms in which event they should be automatically recommended for the confidential list. The mission should exercise its discretion in determining when circumstances make it advisable to recommend such individuals for the Proclaimed List rather than the confidential list. Whenever the activities of particular individuals are responsible for a firm being placed on the Proclaimed List such individuals should generally be recommended for the Proclaimed List along with the firm. Even in such cases, however, there may be special circumstances which make it preferable to recommend the individual for the confidential list rather than the Proclaimed List.

In reviewing the enclosed list it is requested that the mission report as soon as possible on all cases which: (1) should *not* be included on either the confidential or the Proclaimed List; (2) should be considered for inclusion on the Proclaimed List. *In both cases the essential facts should be furnished or reference made to prior reports covering the case.* Whenever a case should be considered for the confidential list because of special circumstances, these circumstances should be stated and an "A-S" rating recommended.

It is recognized that many of the names relate to obscure individuals whom it may be difficult to identify and your report on such cases may be postponed until you receive a copy of the revised confidential list. At that time it will probably be desirable to recheck many of the cases to determine whether the individual is still associated with the firm which resulted in the inclusion of his name.

Copies of this instruction are being forwarded directly to the missions for distribution to the consulates with such further instructions as the missions deem advisable. In this connection it is assumed that the missions will furnish the consulates with such portions of the list as are applicable to the different consular districts. The reports of the consulates on this matter should, as on other Proclaimed List matters, be made through the mission. The Department will endeavor in the future to forward to the mission and the consulates at regular intervals subsequent revisions of the confidential list. Although the existence of a so-called "gray list" or confidential list has been referred

to in the press and elsewhere the Department desires that the existence of the list and the nature of its operation be treated as confidential.

Very truly yours,

For the Secretary of State:

DEAN ACHESON

740.00112A European War, 1939/4124a

*The Secretary of State to Diplomatic and Consular Officers in the
American Republics*

WASHINGTON, November 25, 1941.

SIRS: Reference is made to the Strictly Confidential circular instruction entitled "Procedures and Policies on Maintenance of the Proclaimed List of Certain Blocked Nationals", file no. 740.00112A European War 1939/966A, of August 28, 1941.

During the past three months the Department has continued a close exchange of views and information with the British Embassy and Canadian Legation in Washington with a view to bringing the maintenance and operation of the Proclaimed List, the British Statutory List and the Canadian List of Specified Persons into the most effective harmony. Section V of the circular instruction of August 28, 1941 indicated that the Department desired our missions to maintain close contact with the British missions for the full and free exchange of information on these matters and our missions were requested to indicate what action the British mission had taken or proposed to take on all cases proposed for addition to or deletion from the Proclaimed List. The Department now desires to reemphasize the necessity for this being done by all the missions in order that the two lists may be speedily brought into more effective harmony.

The British Embassy here has informed the Department that the Ministry of Economic Warfare in London now proposes to add to the British Statutory List all cases appearing on the Proclaimed List and any subsequent additions to the Proclaimed List without waiting for a full presentation of the information which resulted in these cases being placed on the Proclaimed List. The Department and the Interdepartmental Committee on the Proclaimed List are not at present prepared to follow a similar policy of automatically including all Statutory List cases on the Proclaimed List, but we desire to achieve the same result wherever such action would be in line with our basic listing policies as set forth in the circular instruction of August 28, 1941. Since the basic British and American listing policies are now closely in harmony it is believed that this result can be reached if our exchanges of information and views on individual cases

are further developed in the field and in Washington. To this end you are accordingly requested:

(1) To have the officers handling Proclaimed List matters arrange for regular consultations with your British colleagues for the purpose of maintaining a full and free exchange of information and views on all cases.

(2) To review all cases now on the British Statutory List not appearing on the Proclaimed List and furnish the Department with a full report of all information available to you and your British colleague on these cases with your recommendation concerning their inclusion on the Proclaimed List.

(3) To inform your British colleague in the future of all cases which you recommend for addition to or deletion from the Proclaimed List and furnish him with any pertinent information on which your recommendation is based. Also to keep your British colleague informed of proposed additions and deletions as you are notified of the Interdepartmental Committee's action. These exchanges should, of course, be arranged on a reciprocal basis and you should forward to the Department full information on all cases which the British may subsequently propose for addition or deletion with your recommendation.

It is believed that cooperation in the field along the foregoing lines and within the limitations stated in the circular instruction of August 28, 1941 will make both the Proclaimed List and the Statutory List more effective and avoid for the most part the problems created for both when divergent action is taken in Washington and London on these matters. This cooperation does not, however, contemplate that our actions will be simultaneous or that they will necessarily be identical in all cases, but it is designed to reduce the divergencies between the lists so far as is compatible with our respective interests and independent judgments.

The Ministry of Economic Warfare in London has arranged to have a representative from the American Embassy in London sit in as an observer at meetings of the Black List Committee. This observer will be kept generally informed of our policies and procedures, and he will keep the Department informed on important developments in London. However, it is considered essential by the British and Canadian Governments and ourselves that in the interest of efficient operation the exchanges on particular cases should take place primarily between the respective missions in the first place and in the second place between the Department and the British and Canadian authorities in Washington. Accordingly, the Department will continue to keep the British Embassy and Canadian Legation here closely informed of all cases which are being considered for addition or deletion and we will make available to them the pertinent information on such cases.

The British authorities have expressed the hope that this Government would be prepared to act favorably on removing cases from the Proclaimed List where the British have accepted undertakings from the firm with a view to delisting the firm from the Statutory List. The Department and the Interdepartmental Committee feel that no general position can be taken on this question at this time, but that it is merely one aspect of the general problem of developing closer collaboration in the field and here. Accordingly, you should keep your British colleague closely informed on any assurances or undertakings which we are considering and request him to keep you similarly informed in order that the Department and London may be fully informed of any divergencies of views on particular cases *before* final action is taken by either.

Very truly yours,

For the Secretary of State:

DEAN ACHESON

740.00112A European War, 1939/4094 : Telegram

The Ambassador in Colombia (Braden) to the Secretary of State

BOGOTÁ, November 25, 1941—8 p. m.

[Received November 26—1:45 a. m.]

581. Since there have been several instances of imports into Colombia on Dutch ships from Brazil and Argentina by firms on Proclaimed List the Department might care to enlist the cooperation of the Netherlands to instruct their shipping companies not to accept cargo for proclaimed firms.⁴²

BRADEN

740.00112A European War, 1939/4125 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, November 26, 1941—midnight.

[Received November 27—11:50 a. m.]

1829. My 1782, November 20, 1 p. m.⁴³ The operation of the Proclaimed List in Brazil was reviewed at meetings last week by my staff with consular officers from Porto Alegre, São Paulo, Bahia and Pernambuco.

It was agreed that the principal obstacle to attaining the purposes

⁴² In Department's telegram No. 489, December 11, 8 p. m., the Ambassador in Colombia was informed that the matter had been discussed with representatives of the Netherlands Legation and that they had agreed to have instructions sent out to remedy the situation (740.00112A European War, 1939/4094).

⁴³ Not printed.

for which the Proclaimed List was promulgated is the impossibility, under existing controls, of preventing cloaking operations of listed firms. It was brought out that some German firms here have organized cloaking systems in order to enable them to accumulate stocks of American products before the adoption of an all-inclusive export control system by the United States which they believe is inevitable.

These firms switch from one cloak to another faster than our system permits us to list those whose operations have been sufficiently well established to warrant our recommendations for listing (see São Paulo despatch 295 of October 30 [31], 1941^{43a}).

Inasmuch as the Embassy and Consulate are not in a position effectively to permit [*prevent?*] cloaking operations, the Consuls have made the following recommendations which I endorse: (1) That all exports from the United States to Brazil be subject to export license; (2) that the Embassy be consulted by telegraph concerning prospective consignees on whom favorable information is not available in Washington. It is recognized that this will require revision of some World Trade Directory reports and compilation of a so-called confidential "white list". However, in view of the need for or in order to eliminate cloaks it is suggested that the plan be put into operation at once; (3) that the Proclaimed List be maintained. (The suggested procedure for Brazil is all the more important now that the Brazilian Government prohibits the publication of the Proclaimed List.)

I believe that the Brazilian Government would not object to the export license procedure if applied uniformly in the Americas because it would have the advantage of enabling consuming interests here to obtain requirements through legitimate rather than speculative channels thus eliminating profiteering in non-licensed American exports.

I regard this as an important step towards preventing listed firms from obtaining supplies in the United States.

CAFFERY

740.00112A European War 1939/5181b

The Secretary of State to the Secretary of Commerce (Jones)

WASHINGTON, November 29, 1941.

MY DEAR MR. SECRETARY: Shortly after the issuance of the President's proclamation of July 17, 1941, authorizing the issuance of a Proclaimed List of Certain Blocked Nationals it became apparent that a rigid application of the proclamation with respect to certain Proclaimed List nationals in Guatemala, Costa Rica and Haiti would have resulted in serious dislocations of the national economies of such

^{43a} Not printed.

countries. In order to achieve the objectives of the proclamation, with due regard to the national economies of the other American republics, plans were formulated and are now in operation in Guatemala, Costa Rica and Haiti with this end in view. Under these plans controls have been imposed by the local governments on the activities of certain Proclaimed List nationals located in these countries. The products of firms on the Proclaimed List which are subject to such controls are not forbidden entry into the United States merely by virtue of such fact. In addition exports from the United States for such firms are permitted under certain circumstances.

In the belief that you may consider it desirable to inform American concerns engaged in the importation and exportation of articles from and to such countries of the existence of these plans, I am enclosing a memorandum ⁴⁴ on the subject for such use as you may care to make of it.

Sincerely yours,

For the Secretary of State:
DEAN ACHESON
Assistant Secretary

740.00112A European War, 1939/4476 : Circular telegram

The Secretary of State to All Diplomatic Missions in the American Republics

WASHINGTON, December 8, 1941—8 p. m.

Supplement No. 5 to Proclaimed List will be issued Wednesday or Thursday, December 10 or 11. This Supplement will contain only additions of Japanese firms or individuals. A few non-Japanese firms or individuals are included because of important Japanese connections where recommended by mission. This supplement has been prepared with utmost urgency and cases are therefore not being referred to missions for approval. Japanese nationality as previously reported by missions or as it appears from other sources here used as basis for inclusion on list.⁴⁵ Supplement No. 6 will also probably be confined to Japanese cases and will be issued within a week or ten days in order to pick up (1) additional Japanese cases from those replies to Department's strictly confidential circular telegram of October 31 ⁴⁴ which have not been received as yet from certain missions, and (2) any additional Japanese cases available from other

⁴⁴ Not printed.

⁴⁵ In a note of December 17, 1941, to Assistant Secretary of State Acheson, British Minister Hall stated that inclusion of Japanese firms or individuals in the British list was on the basis of residence, not nationality (740.00112A European War, 1939/5185).

sources here. It is probable that there will be certain errors and inaccuracies in these Japanese supplements but these cases can be corrected after missions' review of supplements and need for immediate action outweighs advantages of prior checking. Please telegraph immediately any further Japanese cases for Supplement No. 6 which have not been previously reported.

HULL

740.00112A European War 1939/4979

*Memorandum by the Acting Chief of the Division of World Trade Intelligence (Dickey)*⁴⁶

[WASHINGTON,] December 12, 1941.

At a meeting held in Mr. Acheson's office Thursday, December 11, attended by representatives of the European Division, the Near Eastern Division and the Division of World Trade Intelligence, it was decided—subject to your approval—that the Proclaimed List of Certain Blocked Nationals should be immediately extended to include all firms and persons appearing on the British Statutory List for Sweden, Switzerland, Spain (and possessions), Portugal (and possessions), and Turkey.

GENERAL CONSIDERATIONS

It is believed that the principal advantages of so extending the Proclaimed List are political. In view of the state of war which now exists between the United States and Germany and Italy it seems desirable that this Government should appear to the remaining neutral countries to be acting in complete concert with Great Britain. It is believed that under the circumstances the neutral countries concerned as well as the people of the United States would expect such action to be taken.

In view of existing controls and current conditions it is not probable that so extending our Proclaimed List would have any great effect over the movement of trade. Although it is possible that the existing controls would be perfected somewhat it is probable that this action would, however, have more direct effect in controlling financial transactions. It is impossible to state precisely how great this advantage would be but the British Embassy has informed us that the Ministry of Economic Warfare considers that the advantage would be a very material one and of considerable assistance to them.

The extension of our list to other countries outside this hemisphere would probably be well received in the other American republics and

⁴⁶ Addressed to the Secretary of State and the Under Secretary.

would eliminate the present appearance of discriminating against these republics in confining our Proclaimed List to this hemisphere.

If our list is to be extended to these European countries, it is desirable for political considerations that there should be no divergence between our list and the British Statutory List. Any such divergence would be capitalized by the Germans and Italians. As a practical matter, if we are to act swiftly, it is necessary to adopt the cases on the British List since existing difficulties in communication make it impossible for us to secure rapid and full reports on these matters. Our missions have been under instructions since July 24 to forward information concerning firms which might be considered for the Proclaimed List and they have been instructed to exchange information with their British colleagues to this end. However, we do not, as yet, have adequate reports for the independent preparation of the list from several of the countries.

Since the British have been primarily concerned with the problem of maintaining satisfactory relations with these countries while engaged in waging war with the Axis, it seems logical and wise to follow their lead in any listing policies which we might adopt with respect to these countries. It is believed that any differences on particular cases in the future can be worked out satisfactorily between our respective missions and through the presence of our observer on the Black List Committee in London. In turn, it may be expected, as has been the case, that the British will more and more follow our lead on cases in this hemisphere and that Washington will be the coordination center for hemisphere listing policies. We would, of course, retain full freedom of action to delete or not to add any European cases on which there was disagreement.

CONSIDERATIONS CONCERNING THE SPECIFIC COUNTRIES

Sweden

It would not be practicable or advisable to extend our list in Sweden to cover all pro-Axis firms or firms of Swedish nationality which maintain trading relations with the Axis. The British have a comparatively small list for Sweden and they have stated that for the most part they have followed a policy of confining their list in Sweden to Axis-owned or Axis-controlled firms. Our mission has indicated that the British list has been prepared with at least the tacit approval of the Swedish Government. Our mission has previously expressed the view that it would be better not to have a Proclaimed List for Sweden. Telegram no. 822 of December 11, 4 P.M.⁴⁸ from the mission (apparently prepared before the state of war was known) states that the

⁴⁸ Not printed.

British list contains firms of Swedish ownership; that a certain amount of good-will would be lost in having a Proclaimed List for Sweden and that the only advantages would be coordination with the British and some assistance in administering the navicert system. The mission felt that a Proclaimed List might in the light of our financial and commercial arrangements with Sweden be interpreted by the Swedish authorities as an indication of lack of confidence in them and their undertakings not to permit the reexport of United States imports. The mission further indicated that the British may extend their list in Sweden. In the light of the state of war which now exists it is not believed that these factors ought to be determinative. If we are to extend the list to Europe it ought to cover all neutral countries without discrimination. The British listing policy is keyed to their war interests, which are now ours, and if a United States list is to be extended to Sweden the British list ought to be used.

Switzerland

The British have informed us that their listing policy in Switzerland has also been based primarily on enemy ownership or control but they have probably gone somewhat further here than in Sweden. The control of financial transactions is probably more important in the case of Switzerland than elsewhere. Our mission has not indicated any specific views either for or against the extension of our list to Switzerland. It is to be noted that this Government has requested Switzerland to represent our interests in Axis countries.

Spain

The British have a comparatively long list for Spain and although enemy ownership or control has been the primary basis for listing firms here again the listing policy has gone further than in the case of Sweden. Our Embassy has made a careful investigation of the British Statutory List cases for Spain and has recommended that our Proclaimed List be extended to Spain and include some 350 cases contained on the British list. The Embassy suggested that some twenty cases on the British list might be kept on our confidential list pending further checking. However, it does not appear that under existing conditions there would be any objections to including these cases on the Proclaimed List. Our Embassy has recommended the inclusion of more than 100 additional cases which are not presently on the British Statutory List. It is not believed that the British have consulted the Spanish Government very closely with respect to their listing policies but no particular political disadvantages are seen in extending our list to Spain by including all cases now on the Statutory List.

Portugal

The British listing policy in Portugal has been somewhat more restricted than in the case of Spain due to special considerations. No particular political disadvantages are perceived in extending our list at this time to Portugal on the basis of the firms included in the British list. Our mission has not as yet indicated any position on the question. The American Consul in Portuguese East Africa has recommended that our list be extended to that area.

It is to be noted that the British have used a confidential Black List more extensively in the case of Portugal than in any of the other countries.

Turkey

At present Turkey is the only country among those mentioned which has not been brought under the Treasury freezing regulations. The British Embassy has informed us that the most recent war trade agreement,⁴⁹ which was negotiated with Turkey within the last three months, provides that the British will not list Turkish-controlled firms merely because they are exporting to the Axis indigenous products in return for goods essential to the Turkish economy. Under this agreement certain Turkish-controlled firms will shortly be deleted from the Statutory List. The British would be able to furnish us with such prospective deletions for guidance in the preparation of our list. The British have discussed questions of listing policy with the Turkish Government but not generally the action to be taken on specific firms as in the case of Sweden.

Our mission has not expressed opposition to the extension of the Proclaimed List to Turkey in the reports received to date.

CONCLUSION

1.) That the British Statutory List as it now stands, adjusted for pending deletions, be immediately adopted as the basis for a United States Proclaimed List for Sweden, Switzerland, Spain, Portugal and Turkey.

2.) That our missions be instructed to take up with their British colleagues any cases which they believe should *subsequently* be added to or removed from both lists.

3.) That the appended telegram⁵⁰ be sent to our missions in these countries at once.

⁴⁹ An agreement in the form of two letters, first presented by the Turkish Government on August 25, 1941, amended in Anglo-Turkish negotiations (August-October, 1941), and finally accepted by the British Government on October 14, 1941; see Medicott, *The Economic Blockade*, vol. II, pp. 247-250.

⁵⁰ See quoted portion of telegram No. 5960, December 20, noon, p. 319.

740.00112A European War, 1939/5183 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 19, 1941—1 p. m.

[Received 1:30 p. m.]

2119. For the Under Secretary. Aranha made it abundantly clear to me yesterday, and desires me to make it clear to you, that we cannot expect his enthusiastic cooperation with us to continue unless different methods are adopted in connection with the Proclaimed List. He says all the blame all over Brazil is being placed on his shoulders and that it is weakening his position more than he can stand.

As I have stated before the Proclaimed List ends can be substantially met and we can do away with Aranha's objections if the Department will adopt the framing control suggested in my telegram 1829, November 26⁵¹ and the maintenance of the confidential list.

CAFFERY

740.00112A European War 1939/5506a : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, December 20, 1941—noon.

5960. Department on December 15 sent following strictly confidential telegram⁵² to American missions in Sweden, Switzerland, Spain, Portugal and Turkey:

"In view of the state of war with Axis countries Department proposes immediate extension of Proclaimed List to Sweden, Switzerland, Spain and possessions, Portugal and possessions, and Turkey. Similar war interests and desire for concerted action in such matters indicate advisability of adopting British Statutory List as it now stands. Subsequent adjustments in both lists can be made through joint consultations. Please telegraph immediately your comments concerning this action in light of current developments."

Department has requested British Embassy here to secure from London names on Statutory List which are being considered for deletion. Upon receipt of these cases Department expects to issue Supplement to Proclaimed List based on British list adjusted for prospective deletions. It is contemplated that subsequent changes in Proclaimed List for these European countries would be kept in harmony with British list primarily through cooperation of respective missions and through our observer on Black List committee. Full freedom of

⁵¹ Not printed.

⁵² Circular telegram, December 15, 1941, 7 p. m. (740.00112A European War, 1939/4979).

independent action would be maintained here with respect to any subsequent changes on which agreement was not reached between the missions or between you and MEW. Please telegraph your comments.

HULL

740.00112A European War 1939/5355 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, December 23, 1941—11 p. m.

[Received December 23—7 p. m.]

6202. Department's 5960, December 20, midnight [*noon*]. Ministry of Economic Warfare officials consulted are favorable to the Department's proposals regarding procedure harmonizing Proclaimed and Statutory Lists for European countries. We tentatively explored certain details of required mechanics but felt number of points would have to be dealt with as they arose.

We agreed, subject to the Department's approval, that recommendations to list or delete would continue to come from British missions to Ministry of Economic Warfare through established channels but that henceforth they would invariably include definite statements regarding American missions' concurrence or disagreement. In latter case (only) would American missions telegraph Embassy at London their opinions. Embassy observers at Blacklist Committee meetings would have access to files including corporations and recommend to Department either concurrence British missions position or maintenance stand taken by American missions unless of course Department desires such cases settled here when practicable. We believe there will be very few cases in which attitudes of British and American missions will not be reconciled in the field.

Question arose what the American equivalent of Black as differentiated from Statutory List would be particularly in cases where recommendations specified the former. Will the Department please telegraph attitude this point.⁵³

WINANT

⁵³ In telegram No. 75, January 7, 1942, 11 p. m., to the Ambassador in the United Kingdom, the Department approved of the procedure herein outlined. With regard to this last paragraph, the Department's attitude was stated as follows: "So far as practicable we contemplate using British Black as differentiated from Statutory List for our confidential list." (740.00112A European War, 1939/5355)

740.00112A European War 1939/5651

Memorandum by the Acting Chief of the Division of World Trade Intelligence (Dickey)

[WASHINGTON,] December 26, 1941.

Re: Extension of Proclaimed List to Europe

Telegraphic replies have now been received from our missions in Sweden, Switzerland, Spain, Portugal and Turkey to the Department's circular of December 15, 1941⁵⁴ advising these missions that the Department proposed immediately to extend our list to these countries on the basis of the British Statutory List. All of the above missions except Sweden agree with or raise no objection to the proposed action.

The Legation at Stockholm in telegram no. 851, December 16, 1941,⁵⁵ merely refers the Department to its previous telegram no. 822, December 11.⁵⁵ The views set forth in this telegram were previously summarized for you in the appended memorandum of December 12, 1941,⁵⁶ on the basis of which the proposed action was approved despite this Legation's preference for not extending our list to Sweden.

The Legation at Bern replied in telegram no. 366, December 18,⁵⁵ that after consultation with Consul General Stewart they concurred with proposal to extend list "if it is also extended to all other countries named", i.e. the other four European neutrals. Legation assumed Minister Harrison consulted; Mr. Acheson has done so.

The Embassy at Madrid in telegram 1078 of December 19⁵⁵ sees no objection to proceeding as proposed and gives names of certain pending deletions which will be reflected in our list after consultation with British Embassy here which is checking with London.

Our mission in Portugal replied in telegram no. 742 of December 17⁵⁵ that it was in accord with Department's proposal to extend list immediately to Portugal.

The Embassy at Ankara in telegram no. 497 of December 18⁵⁵ stated it perceived no objection to extending list to include enemy firms in Turkey, but thought it inadvisable to include Turkish firms. The Embassy stated inclusion of Turkish firms on British list caused resentment in Turkey and eventually resulted in arrangement whereby "most of the Turkish firms were deleted" from British list in return for Turkish Government giving certain undertakings. Our list will,

⁵⁴ See quoted portion of telegram No. 5960, December 20, noon, to the Ambassador in the United Kingdom, p. 315.

⁵⁵ Not printed.

⁵⁶ *Ante*, p. 315.

of course, reflect all the deletions already made or proposed to be made by the British, but beyond this it would not be feasible for us presently to single out Turkish firms for deletion and it is assumed that our mission recognizes this and the advisability of our lists being parallel.

WT is now completing the work of preparing the revised British list for publication in the Proclaimed List for these countries and their possessions. It is assumed that the foregoing replies have not altered the decision to go ahead with the publication as soon as possible. A consolidated Proclaimed List covering the original list of July 17, 1941⁵⁷ and the six supplements to date will be published within two weeks and it is proposed to include the European listings in this consolidation. Unless WT is instructed to the contrary the proof will go to the printer during the week of December 29th.

JOHN S. DICKEY

⁵⁷ List of July 17, 1941, printed in 6 *Federal Register* 3557-3573.

ARGENTINA

DISCUSSIONS BETWEEN THE UNITED STATES AND ARGENTINA REGARDING A LEND-LEASE AGREEMENT AND RESUMPTION OF MILITARY STAFF CONVERSATIONS¹

810.20 Defense/1096 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Armour)*

WASHINGTON, July 25, 1941—7 p. m.

476. The Department has consulted the War and Navy Departments in regard to the resumption in Washington of the staff conversations with Argentina. The Navy expresses its approval. The War Department states that, owing to the Navy's preference for Washington, it is willing to concur. Both Departments emphasize that the Argentine military and naval representatives should possess sufficient authority to reach military agreements without being compelled to consult their Government about details.

You will recall that on June 24 the Air Attaché of the Argentine Embassy presented to the Department a list of raw materials and aeronautical equipment and stated that two other lists would follow. Under existing conditions, the Lend-Lease Act² provides the only possibility available to Argentina of obtaining any early delivery on military and naval material. In view of the foregoing, the Department is of the opinion that it would be mutually advantageous if these representatives could be authorized to negotiate at the same time for the acquisition of armament under the Lend-Lease Act. (See Department's circular telegram May 20, 10 p. m.)³

You are therefore requested to approach the Argentine Government in order to obtain an expression of its views on this proposal. You may state that it is the understanding of this Government that the Argentine Government is disposed to renew staff conversations and that it would be happy if the Argentine authorities would concur in

¹ See also section entitled "General policy of the United States for the negotiation of basic agreements relating to Lend-Lease to other American Republics," pp. 133 ff. For correspondence concerning consultations between the United States and the other American Republics regarding defense measures, see *Foreign Relations*, 1940, vol. v., pp. 14 ff.

² Approved March 11, 1941; 55 Stat. 31.

³ *Ante*, p. 137.

the desirability of appointing a Military-Naval Commission clothed with sufficient authority to reach agreements on both of these subjects subject to the subsequent approval of each Government.

The Department is addressing a communication in the same sense to the Argentine Embassy.

WELLES

810.20 Defense/1096 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, August 6, 1941—7 p. m.

511. The Department has withdrawn the memorandum ⁴ referred to in the last paragraph of the Department's 476 of July 25, 7 p.m., since Espil ⁵ stated he would not like to transmit it to his Government. His explanation was that he was certain that the Argentine Government would jump to the conclusion that the obtaining of military and naval equipment was contingent upon an outcome satisfactory to the United States of the staff conversations.

The Ambassador was unequivocally informed that the discussions re acquisition of matériel under the Lend-Lease Act and the staff conversations were not linked together, but parallel negotiations that might best take place simultaneously. The suggestion that the same officers who were coming to Washington to carry on the detailed discussions for the acquisition of matériel under the Lend-Lease Act also engage in staff conversations arose from the view that this was a practical procedure that would advance both questions rapidly.

In the absence of corroboratory information from you, the Department wonders whether Espil has accurately reflected the view the Argentine Government would have taken in this matter had it been consulted by him. However, if you have found that the Argentine Government is of the opinion that holding staff conversations in Washington coincidentally with negotiations for matériel would make it appear that Argentina was undertaking "political commitments" in connection with its purchase of military and naval equipment, you may advise the Argentine Government that this Government would be disposed to renew the staff conversations in Buenos Aires instead of in Washington, if that should be the desire of the Argentine Government. It is of course highly important that the staff conversations should be renewed as soon as practicable.

HULL

⁴ Not printed.

⁵ Felipe A. Espil, Argentine Ambassador in the United States.

810.20 Defense/1263 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, August 8, 1941—3 p. m.

[Received 6:20 p. m.]

810. Department's 511, August 6, 7 p. m. Confirming information communicated to Ravndal⁶ by telephone yesterday, on July 30 last after discussing the matter with the Minister for Foreign Affairs,⁷ I left with the Under Minister a memorandum based on the Department's telegram under reference. He read it in my presence and raised no objections and I have since been given to understand that the memorandum has been discussed not only in Cabinet meetings but has been taken up by the Minister for Foreign Affairs in the extraordinary sessions of the Chamber of Deputies in connection with defense equipment.

In a recent conversation with the Acting President the question came up and Dr. Castillo, who showed that he was familiar with our memorandum, expressed general approval of the idea which he said was still being studied.

I feel that the Department's telegram and the Embassy's memorandum based on it made it abundantly clear that the obtaining of military and naval equipment is in no way contingent on the outcome of staff conversations and that the suggestion for the appointment of a commission to deal with these two matters was based on the practical advantage of having both questions dealt with as rapidly as possible.

However, should the Government here raise the question or appear to have any doubts I shall follow the line suggested in the last paragraph of the Department's telegram in the meantime continuing to stress the importance of having staff conversations renewed as soon as practicable.

ARMOUR

810.20 Defense/8-1941 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, August 19, 1941—6 p. m.

[Received 10:03 p. m.]

854. Embassy's telegram No. 849, August 18, 7 p. m.⁸ Minister for Foreign Affairs told me last night that after further consultation with the Ministers of War and Marine it has now [been ?] decided to send

⁶ Christian M. Ravndal, Assistant Chief of the Division of the American Republics.

⁷ Enrique Ruiz Guíñazú.

⁸ Not printed.

a commission to the United States with authority to hold staff talks as well as to present the Government's requirements for defense along the lines of our Government's proposal submitted in my memorandum to him. The Minister appreciates our Government's position that in making our proposal we had no intention of linking the two subjects or making one contingent upon the other but he feels that from the staff conversations which could take place first would logically emerge in clearer form Argentina's requirements for defense material. It was his understanding that the staff talks would be kept within the general framework of the continental defense plans as envisaged in the Panama and Habana Conferences.¹⁰

It is my understanding that the commission will shortly be formed and be prepared to leave within the near future. The Minister hopes that the commission's stay in the United States would not have to be prolonged, intimating that it would be difficult for certain of the officers, presumably of high rank, to be absent too long from their work here. In this connection the Department may want to consider discussing arrangements for a special plane to be placed at their disposal in the event that they fly up as I understand is now planned.

In view of the position taken by the Minister for Foreign Affairs in his earlier talks with me that staff conversations involved political questions which would require the intervention of the Argentine Ambassador in Washington, it may be that the Department will wish to suggest that Espil attend the staff conversations if he wishes to do so. In that event, presumably some representative of the State Department could also be present.

I was very much encouraged by the Minister's general attitude and feel that the decision is to be interpreted as further evidence of the new change in spirit on the part of the Government in the direction of closer cooperation, which is daily becoming more apparent in all circles here.

ARMOUR

¹⁰ See *Report of the Delegate of the United States of America to the Meeting of the Foreign Ministers of the American Republics Held at Panamá, September 23-October 3, 1939* (Washington, Government Printing Office, 1940), and *Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940, Report of the Secretary of State* (Washington, Government Printing Office, 1941). For correspondence concerning these Conferences, see *Foreign Relations, 1939*, vol. v, pp. 15 ff., and *ibid.*, 1940, vol. v, pp. 180 ff., respectively.

835.24/177 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, September 13, 1941—1 p. m.

[Received 6:10 p. m.]

962. Embassy's telegram 949, September 11, 7 p. m.¹¹ Minister for Foreign Affairs states that he is holding conversations with the Ministers of War and Marine regarding forthcoming staff conversations in Washington. In order to decide finally upon officers to be appointed and instructions to them he and his colleagues would appreciate receiving from our Government more definite data than they now have as result of preliminary conversations with Spears¹² and Christian¹³ as to subjects to be discussed and form which agreements mentioned first and last paragraph of Department's telegram 476, July 25, 7 p. m., will take. He seems to understand from Espil that some kind of general form agreement has been drawn up: in any event he presumes that our staff conversations and agreements resulting therefrom, with other countries within framework of continental defense program would probably enable us to give them an idea what form our agreement with them would take. In the meantime I am giving the Minister the Spanish text of the basic agreement (revised) Department's circular instructions of July 26¹⁴ 1st in the thought that this may possibly be the form agreement which he has in mind although this deals primarily with purchase of military and naval equipment under Lease-Lend agreement, of which I understand from Department's telegram No. 617, September 6, 8 p.m.,¹¹ the Argentine Government does not desire to avail itself.

ARMOUR

835.24/177 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, September 26, 1941—5 p. m.

701. Your 962, September 13, 1 p. m. Department consulted War and Navy Departments on the subjects to be discussed at contemplated staff conversations to be held in Washington. The latter have transmitted to Department the following proposed agenda.

An endeavor should be made to reach an agreement on the action each would take under the following conditions: (a) in the event that the United States and Argentina should be associates in a war against

¹¹ Not printed.¹² Capt. W. O. Spears, Office of Chief of Naval Operations, Navy Department.¹³ Lt. Col. R. L. Christian.¹⁴ Not printed; for draft text of basic agreement, June 26, see p. 139.

the same enemy, and (b) in the event that one country should remain a non-belligerent and the other should engage in war.

Under the first alternative mentioned above, the purpose would be (1) to decide upon the best methods of cooperation between the armed forces of Argentina and the United States; (2) to coordinate plans for such cooperation; (3) to reach agreements concerning the nature and methods of military cooperation between the two nations which would comprise the allocation of existing areas of responsibility, the principal lines of military strategy which both countries should adopt, and the strength of the armed forces which each nation may be able to supply. In addition, it would be necessary to determine suitable command arrangements, both as to the unity of command in the field and supreme military control in the event of joint operations either tactical or strategical.

The object of the second alternative would be to decide what action for the defense of the hemisphere each country might take within the limits of its own policy. This discussion would involve such a question as action with reference to sea and air patrols to protect legitimate commerce in the South Atlantic.

The text of the former staff conversations should be examined and modified as far as may be necessary to include the foregoing program. The contemplated agreement would be broader in scope than the one which would have been concluded had the earlier conversations been successful. In addition, it is believed that the representatives, both military and naval of both countries, should be officers with sufficient authority, experience and rank to set forth the point of view of their respective branch of the armed forces, and make decisions of a military character.

Any agreements which these officers may reach will be subject of course to confirmation by the governments of each republic and by the chiefs of staff of their respective military and naval forces.

The basic agreement to which you refer in your telegram 962 relates to the acquisition of military equipment and not to the subject of cooperation between the military forces of both countries.

HULL

835.24/195 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 19, 1941—4 p. m.

[Received 9:45 p. m.]

1161. Referring to Embassy's telegram 949, September 11, 7 p. m.;¹⁸ and Department's telegram 701, September 26, 5 p. m., regarding Argentine Military Naval Mission to the United States, the Minister

¹⁸ Not printed.

for Foreign Affairs has informed me that a very important and far reaching plan of defense for Argentina has been drawn up and will be considered at the next Cabinet meeting on October 22. He explained confidentially that the plan concentrates largely on naval defense, 80% being devoted to this aspect and not more than 20% to the military aspect. It covers the whole of Argentina's coast line from Uruguay to Cape Horn and envisages difficult position with Chile in the Straits and Brazil to the north. If the plan is approved by the Government, they hope that Admiral Stark¹⁹ and the high staff officers of our Navy and Army will be willing to discuss it with the Mission which will go up, and offer any suggestions regarding it. It will be on the basis of this plan that their purchasing program will be drawn up.

The Minister is still unable to give me the names of the officers who will be chosen although the names of Rear Admiral Sabá Sueyro and General Lapiz are still mentioned to head the Mission.

ARMOUR

835.24/212: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, November 27, 1941—8 p. m.

[Received November 27—7:15 p. m.]

1341. Referring to the Embassy's telegram 1286, November 14, 8 p.m.²⁰ A note received today from the Foreign Minister in reference to the departure on the steamship *Uruguay* tonight of the Military and Naval Mission, enumerates the members (as reported in the cable under reference²¹ with the exception of Major Emilio Loza who has been added) and concludes with the following paragraphs:

"In matters which may have a political interest, in view of the work assigned to this Commission, it will also include the Argentine Ambassador in Washington, or the provisional officer in charge of that Embassy.

Pursuant to the terms of the invitation extended by the Government of the United States of America to the Argentine Government through the Embassy, and in accordance with the facilities provided by the Lend-Lease Act, the delegation has full instructions to set forth, in fulfillment of its mission, the armament requirements of the army and navy and the defense plans which they should meet, in keeping with the collaboration which continental defense may eventually call

¹⁹ Adm. Harold R. Stark, Chief of Naval Operations.

²⁰ Not printed.

²¹ From the Ministry of War: Brig. Gen. Eduardo T. Lapiz, Lt. Col. Raúl Ruiz Díaz and Capt. Luis M. A. Terradas; from the Ministry of Marine, Rear Adm. Sabá H. Sueyro, Comdr. Aureliano G. Lares, Comdr. Harald Cappus, Comdr. Carlos A. Garzoni, Lt. Comdr. Manuel Bianchi, and Lt. Comdr. Ebuero Díaz Molina.

for in the plan of common action contemplated by the Pan American agreements.”

Full text of note being sent by airmail.²⁴

ARMOUR

835.24/234a

The Secretary of State to the Ambassador in Argentina (Armour)

No. 1493

WASHINGTON, December 4, 1941.

The Secretary of State refers to the Department's telegram no. 1003 of December 2, 10 p. m.,²⁴ and transmits for the information of the Embassy copies of the texts of cash basis lend-lease agreement handed to the Argentine Ambassador August 18, 1941, and of the reduced payment lend-lease agreement handed to the Argentine Ambassador, December 1, 1941.

[Enclosure 1]

Draft Cash Basis Lend-Lease Agreement, Handed to the Argentine Ambassador, August 18, 1941

Whereas the United States of America and the Argentine Republic declare that in conformity with the principles set forth in the Declaration of Lima, approved at the Eighth International Conference of American States on December 24, 1938,²⁵ they, together with all the other American republics, are united in the defense of the Americas;

And whereas the President of the United States of America has determined, pursuant to the Act of the Congress of the United States of America of March 11, 1941, that the defense of each of the American republics is vital to the defense of all of them, and for that reason the United States of America proposes to provide certain defense articles and defense information to the Argentine Republic;

The undersigned, being duly authorized for that purpose, have agreed as follows:

ARTICLE I

The United States of America will supply the Argentine Republic with such defense articles and defense information as the President of the United States of America shall authorize to be transferred.

²⁴ Not printed.

²⁵ For text, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27, 1938* (Washington, Government Printing Office, 1941), p. 189; for correspondence concerning this Conference, see *Foreign Relations, 1938*, vol. v, pp. 1 ff.

ARTICLE II

The Argentine Republic will, until further notice, pay in advance for all defense articles and defense information requested by it and the transfer of which has been authorized. The United States of America, however, reserves the right at any time to suspend, defer, or stop deliveries of such articles or information whenever in the opinion of the President further deliveries are not consistent with the needs of the defense of the United States of America.

Records shall be kept of all defense articles transferred under this Agreement, and not less than every ninety days schedules of such defense articles shall be exchanged and reviewed.

ARTICLE III

The Argentine Republic will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information transferred to the Argentine Republic under this Agreement, or permit its use by anyone not an officer, employee, or agent of the Argentine Republic.

ARTICLE IV

If, as a result of the transfer to the Argentine Republic of any defense articles or defense information, it becomes necessary for the Argentine Republic to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such article or information, the Argentine Republic will take such action or make such payment when requested to do so by the President of the United States of America.

ARTICLE V

This Agreement shall continue in force from the date on which it is signed until a date agreed upon between the two Governments.

Signed and sealed at Washington in duplicate in the English and Spanish languages this day of 1941.

On Behalf of the United States of America

(Title)

On Behalf of the Argentine Republic

(Title)

[Enclosure 2]

Draft Reduced Payment Lend-Lease Agreement, Handed to the Argentine Ambassador, December 1, 1941

Whereas the United States of America and the Argentine Republic declare that in conformity with the principles set forth in the Declaration of Lima, approved at the Eighth International Conference of American States on December 24, 1938, they, together with all the other American republics, are united in the defense of the Americas;

And whereas the President of the United States of America, pursuant to the Act of the Congress of the United States of America of March 11, 1941, and the President of the Argentine Republic have determined that the defense of each of the American republics is vital to the defense of all of them, and for that reason the United States of America proposes to provide certain defense articles and defense information to the Argentine Republic;

The undersigned, being duly authorized for that purpose, have agreed as follows:

ARTICLE I

The United States of America proposes to transfer to the Argentine Republic under the terms of this Agreement armaments and munitions of war to a total value of about \$66,000,000. The United States of America proposes to begin deliveries immediately and to continue deliveries as expeditiously as practicable during the coming twelve months to an approximate total value of \$15,000,000 for use by the Argentine Army and an approximate total value of \$1,000,000 for use by the Argentine Navy.

In conformity, however, with the Act of the Congress of the United States of America of March 11, 1941, the United States of America reserves the right at any time to suspend, defer, or stop deliveries whenever, in the opinion of the President of the United States of America, further deliveries are not consistent with the needs of the defense of the United States of America or the Western Hemisphere; and the Argentine Republic similarly reserves the right to suspend, defer, or stop acceptance of deliveries under the present agreement, when, in the opinion of the President of the Argentine Republic, the defense needs of the Argentine Republic or the Western Hemisphere are not served by continuance of the deliveries.

ARTICLE II

Records shall be kept of all defense articles transferred under this Agreement, and not less than every ninety days schedules of such defense articles shall be exchanged and reviewed.

The Government of the United States of America agrees to accord to the Government of the Argentine Republic a reduction of 45.45 percent in the total cost of the materials that will be delivered in compliance with the stipulations of the present agreement; and the Government of the Argentine Republic promises to pay in dollars into the Treasury of the United States of America 54.54 percent of the total cost of the materials delivered. The Argentine Republic shall not be required to pay

more than a total of \$6,000,000 before July 1, 1942,
more than a total of \$12,000,000 before July 1, 1943,
more than a total of \$18,000,000 before July 1, 1944,
more than a total of \$24,000,000 before July 1, 1945,
more than a total of \$30,000,000 before July 1, 1946, or
more than a total of \$36,000,000 before July 1, 1947.

ARTICLE III

The Governments of the Argentine Republic and of the United States of America agree to cooperate for the conclusion of just and equitable agreements in conformity with Resolution XXV on Economic and Financial Cooperation approved at the Second Consultative Meeting of the Ministers of Foreign Affairs of the American Republics held at Habana in July 1940 and to cooperate to alleviate the sufferings caused by the war, so far as possible within the limit of the available resources of the Contracting Parties.

ARTICLE IV

Should circumstances arise in which the United States of America in its own defense or in the defense of the Americas shall require defense articles or defense information which the Argentine Republic is in a position to supply, the Argentine Republic will make such defense articles and defense information available to the United States of America, to the extent possible without harm to its economy and under terms to be agreed upon.

ARTICLE V

The Argentine Republic undertakes that it will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information received under this Agreement, or permit its use by anyone not an officer, employee, or agent of the Argentine Republic.

Similarly, the United States of America undertakes that it will not without the consent of the President of the Argentine Republic, transfer title to or possession of any defense article or defense information received in accordance with Article IV of this Agreement, or permit its use by anyone not an officer, employee, or agent of the United States of America.

ARTICLE VI

If, as a result of the transfer to the Argentine Republic of any defense article or defense information, it is necessary for the Argentine Republic to take any action or make any payment in order fully to protect any of the rights of any citizen of the United States of America who has patent rights in and to any such defense article or information, the Argentine Republic will do so, when so requested by the President of the United States of America.

Similarly, if, as a result of the transfer to the United States of America of any defense article or defense information, it is necessary for the United States of America to take any action or make any payment in order fully to protect any of the rights of any citizen of the Argentine Republic who has patent rights in and to any such defense article or information, the United States of America will do so, when so requested by the President of the Argentine Republic.

ARTICLE VII

This Agreement shall continue in force from the date on which it is signed until a date agreed upon between the two Governments.

Signed and sealed at Washington in duplicate in the English and Spanish languages this day of 1941.

On Behalf of the United States of America

(Title)

On Behalf of the Argentine Republic

(Title)

MEASURES TAKEN BY THE UNITED STATES TO ELIMINATE AXIS-CONTROLLED AIRLINES IN ARGENTINA

810.79665/85

The Secretary of State to the Ambassador in Argentina (Armour)

No. 590

WASHINGTON, January 14, 1941.

SIR: There is enclosed a copy of a despatch from the American Embassy at Rio de Janeiro²⁶ in which the technical director of the Italian airline L.A.T.I.²⁷ is quoted as saying that his company has every intention of extending its international service to Buenos Aires.

²⁶ Not printed.

²⁷ Lineas Aéreas Transcontinentales Italianas.

You are requested to report to the Department any activity of this company to engage in air transportation between its terminal point in Brazil and the Argentine. For your strictly confidential information, the Department does not look with favor on the expansion within the American republics of European airlines having a terminus in one of the American republics.²⁸

Very truly yours,

For the Secretary of State:
SUMNER WELLES

835.796/141½

The Argentine Ambassador (Espil) to the Secretary of State

D. E. No. 110

On December 19, 1940 Yacimientos Petrolíferos Fiscales and the Phillips Petroleum Company, concluded an agreement one of the provisions of which requires that the latter render all technical assistance for the development of the operations of the former.

The Phillips Petroleum Company now informs Yacimientos Petrolíferos Fiscales that due to regulations enforced by the United States Government, it cannot at present give the information and technical assistance which Yacimientos Petrolíferos Fiscales needs for manufacturing aviation gasoline.

The Argentine Ambassador presents his compliments to His Excellency the Secretary of State and, upon instructions from his Government, has the honor to request that the United States Government authorize Phillips Petroleum Company :

(a) to instruct the technicians of Y. P. F., Mr. Aldo Pontiroli, an engineer, and Dr. Roberto Carrozzi, giving them all necessary information on the processes the company has for the preparation of aviation gasoline.

(b) to allow our said technicians to study in the Engineering and Research Departments which Phillips Petroleum Company has in Bartlesville, Oklahoma, all matters pertaining to the processes for the preparation of iso-octane, neohexane, and iso-pentane.

(c) to allow the mentioned technicians to visit and study the plants of the manufacture of iso-octane, neohexane and iso-pentane, which the Phillips Petroleum Company has in operation at its Borger, Texas, Refinery, and in other refineries owned by Phillips Petroleum Company.

WASHINGTON, May 21, 1941.

²⁸ On February 19, 1941, L.A.T.I. was authorized by the Argentine Government to provide commercial service between Italy, Brazil, Argentina, and Chile. See Decree 84948 in *Anales de Legislación Argentina, 1941*, p. 196.

835.796/141½

Memorandum by the Under Secretary of State (Welles) to the Assistant Secretary of State (Acheson)

[WASHINGTON,] June 23, 1941.

MR. ACHESON: The Argentine Ambassador left with me this morning a copy of an *aide-mémoire* which he left with the Department on May 21 last.²⁹ The Argentine Navy is very anxious to have us grant the request comprised in this memorandum. It is disturbed that we have not yet given any indication of a favorable attitude.

I shall appreciate it if you will have some one in your office follow this through and see what the situation may be.

S[UMNER] W[ELLES]

835.796/147: Telegram

The Chargé in Argentina (Tuck) to the Secretary of State

BUENOS AIRES, July 21, 1941—3 p. m.

[Received 5:30 p. m.]

744. Embassy's report 394, February 26, 1941.³⁰ The Italian airline Lati inaugurated extension of its service from Rio de Janeiro to Buenos Aires, the northbound plane leaving Buenos Aires yesterday morning. This affords a through service between Rome and Buenos Aires, with the weekly plane arriving here every Saturday and leaving every Sunday.

TUCK

835.796/148: Telegram

The Chargé in Argentina (Tuck) to the Secretary of State

BUENOS AIRES, July 23, 1941—5 p. m.

[Received 5:50 p. m.]

756. Local press announces that Condor Airline³¹ will inaugurate second weekly service between Buenos Aires and Santiago beginning July 24. Westbound schedules Mondays and Thursdays; eastbound Wednesdays and Saturdays all will stop at Mendoza.

Panagra³² has also been anxious to add another service to Santiago but has been handicapped by scarcity of planes and pilots.

TUCK

²⁹ *Supra.*³⁰ Not printed.³¹ Sindicato Condor Ltda., nominally a Brazilian company.³² Pan American-Grace Airways.

835.796/148

Memorandum by the Acting Chief of the Division of the American Republics (Bonsal) to the Chief of the Division of International Communications (Burke)

[WASHINGTON,] July 28, 1941.

MR. BURKE: I believe we should do everything possible to discourage further expansion by Condor. Since the existence of sufficient Panagra service to accommodate all the traffic would be one factor in such discouragement of Condor, I believe everything possible should be done to obtain authorization for an additional service for Panagra between Buenos Aires and Santiago, and to obtain planes for the purpose.

PHILIP W. BONSAI

835.796/147: Telegram

The Acting Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, July 29, 1941—9 p. m.

487. Your 744, July 21, 3 p. m. The Department is informed that Lati has requested Standard Oil subsidiary³³ in Buenos Aires to deliver there aviation fuel and oil against Lati stocks stored in Brazil in Standard tanks. Standard Oil agreed with the Department some months ago to control Lati (and Condor) stocks with a view to reducing them to and keeping them at not more than one month's supply, in order that when the time is ripe we may dry up these carriers' supplies.

Standard Oil is ready to refuse the present Lati request, but it has been observed that the Argentine Government may purchase aviation gasoline from Standard for delivery to Lati.

The Department is informing the Standard Oil that it expects from the company the continuation of the latter's cooperation in this respect, and you are requested to discuss the matter with the manager of Standard Oil in Buenos Aires with a view to assisting him in every proper way in pursuing this policy. You are also requested to inform Ultramar³⁴ of this policy and to request its full cooperation.

The Embassy at Rio de Janeiro is being informed.

WELLES

³³ International Aviation Associates, known as Intava.

³⁴ Ultramar Oil Company.

835.796/151 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, July 30, 1941—6 p. m.

[Received 10:50 p. m.]

778. Department's telegram No. 487, July 29, 9 p. m. Intava (local marketing agency for Standard Oil aviation products) says it recently advised Lati that it could no longer supply it with aviation gasoline in Argentine. Intava also advised local Condor agency that any Intava gasoline supplied by Condor to Lati in Argentine would be deducted from monthly quantity normally supplied to Condor.

Intava doubts if Argentine Government will endeavor to purchase for Lati but if so Intava will plead inability to supply due to scarcity of stocks. Intava will advise Embassy of any such Argentine request or any other pertinent developments.

Matter has also been discussed with Ultramar, which advises that Intava is handling such matters for it. Both Intava and Ultramar seem disposed to cooperate fully.

ARMOUR

835.796/153 : Telegram

The Acting Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, July 31, 1941—1 p. m.

491. Your 756, July 25 [23], 5 p. m. and 763, July 24, 6 p. m.³⁵ The Department would appreciate receiving by telegraph your opinion as to the feasibility of restricting Condor's activities through control of its supply of gasoline. Reference in this connection is made to your 751, July 21, 10 p. m.,³⁶ from which it would appear that unless the Condor planes can be operated with ordinary gasoline it should be possible to arrange an effective control of Condor's fuel supply.

WELLES

835.796/152 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, August 2, 1941—10 a. m.

[Received 6:35 p. m.]

788. Department's 491. With regard to additional Condor service as mentioned in Embassy's telegram No. 756, July 23, 5 p. m., Condor

³⁵ Letter not printed.³⁶ Not printed.

informed Intava that such service was intended as extension of new Lati service to Buenos Aires. Intava understands that this second Condor service to Santiago will be suspended if Lati is forced to suspend service to Buenos Aires which appears likely if gasoline can be withheld locally.

With regard to probable reconnaissance flights by Condor between Brazil and Argentina as mentioned in Embassy's telegram No. 763, July 24, 6 p. m.,³⁷ the Condor plane from Brazil on July 27 was 2 hours late in arriving in Buenos Aires where it was met by German Ambassador under suspicious circumstances. It seems possible that plane was endeavoring to observe British auxiliary cruiser *Puocantara* which arrived in Buenos Aires yesterday. It is suggested that one way of restricting these reconnaissance flights would be through British protests to the Argentine and Brazilian Governments which in turn could assign observers and impose penalties on Condor for unexplained delays.

As mentioned in Embassy's telegram No. 778, July 30, 6 p. m., the situation concerning aviation, large proportion in Argentina is fairly well under control considering that Condor is not given more than 1 month's supply and Lati is now being refused altogether. With regard to complete stoppage of local Intava sales to Condor, Intava says that Standard Oil of Brazil has a contract expiring March 1942 to supply Condor in Brazil, Argentina and Chile, and that any attempt to cut off Condor entirely might have complications in Brazil. At the same time Intava admit that the key to the whole problem is in Brazil which is more dependent on imports for its petroleum supplies.

Y.P.F. in Argentina apparently can spare No. 87 octane gasoline to any commercial airline. However it is questionable whether Argentina would look with favor upon Intava's refusal to sell any gasoline to Condor in this country, and in such event Y.P.F. might endeavor to supply Condor with 73 or 80 octane grades. I understand that there is still some mystery as to the existence of the alleged chemical tablets used by the Germans to improve octane rating of lower grade gasoline.

Intava estimates that Lati has sufficient gasoline in Brazil to operate for 2 to 3 months.

Repeated to Rio de Janeiro.

ARMOUR

³⁷ Not printed.

835.796/156 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, August 6, 1941—6 p. m.

510. Your 793, August 5, 10 a. m.³⁸ If you are satisfied the report is true that the YPF is actually furnishing gasoline to Lati, you may inform the Argentine Government that there is a serious shortage of tankers, that a plan is being formulated whereby the burden of this shortage will be equitably distributed among all the American republics, that the American oil companies are cooperating fully in not supplying Axis airlines and that any continuation of YPF's supplying gasoline to Lati will be regarded unfavorably by those who are to administer the new plan. It would clearly be contrary to the policy of the American and British Governments to facilitate Axis bunkering in this Hemisphere.

Repeat to Rio.

Please keep the Department currently informed by telegraph.

HULL

835.796/148

The Secretary of State to Mr. H. J. Roig, President of Pan American-Grace Airways

WASHINGTON, August 11, 1941.

MY DEAR MR. ROIG: The Department was advised in a telegram dated July 23, 1941 from the American Embassy at Buenos Aires that commencing on July 24, 1941 the Condor air line would according to an announcement in the local press, institute a second weekly service between Santiago, Chile, and Buenos Aires, Argentina, with westbound trips on Mondays and Thursdays and eastbound trips on Wednesdays and Saturdays and including on all trips a stop at Mendoza, Argentina.

In furtherance of the general program for bringing about the removal of Axis influence or control over aviation in the other American Republics, it seems desirable that an additional service between Buenos Aires and Santiago be inaugurated by Panagra. The Department understands consideration is being given by Panagra to such a project and trusts that every endeavor will be made towards its successful completion.

Sincerely yours,

For the Secretary of State:

ADOLF A. BERLE, JR.

Assistant Secretary

³⁸ Not printed; it contained report that Lati plane arrived in Buenos Aires and returned to Brazil after being refueled by YPF.

835.796/164 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, August 23, 1941—2 p. m.

566. Your 829, August 12, 9 p. m.³⁹ Harding⁴⁰ has discussed Argentina's commercial aviation problems with Piñedo⁴¹ and a memorandum of conversation³⁹ is being forwarded to you by airmail.

It appears that Sana⁴² and Corporación⁴³ will merge and that Aeroposta⁴⁴ will be forced to join by reason of availability to the merged organizations of up-to-date American equipment.

It is understood that either Wilcox or Oscar Muller will be authorized to handle the financial arrangements on behalf of the Federal Loan Agency and that Piñedo will assist in effecting the merger.

HULL

835.796/148

The Secretary of State to Mr. H. J. Roig, President of Pan American-Grace Airways

WASHINGTON, September 11, 1941.

MY DEAR MR. ROIG: The Department refers to its letter of August 11, 1941 in regard to the desirability of having Panagra inaugurate an additional service between Buenos Aires and Santiago.

According to a statement made by you to an officer of this Department by telephone on September 4, Panagra would not, because of the personnel situation, be able to increase the services in Ecuador and at the same time put on the extra service between Buenos Aires and Santiago.

The Department believes that it would be highly desirable to have the additional service between Buenos Aires and Santiago inaugurated at the earliest possible moment and without reference to the situation in Ecuador.⁴⁵ It would be appreciated, therefore, if you would advise the Department for its information as to what extra personnel may be required.

Sincerely yours,

For the Secretary of State:
ADOLF A. BERLE, JR.
Assistant Secretary

³⁹ Not printed.⁴⁰ William Barclay Harding, vice president of the Defense Supplies Corporation, a buying agency of the Federal Loan Agency.⁴¹ Federico Piñedo, formerly Argentine Minister of Finance.⁴² Sociedad Argentina de Navegación Aérea.⁴³ Corporación Sudamericana de Servicios Aéreos.⁴⁴ Aeroposta Argentina.⁴⁵ For correspondence concerning interest of the United States in the elimination of German influence from Ecuadoran airlines, see vol. VII, pp. 270 ff.

835.796/180 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

Buenos Aires, September 16, 1941—10 p. m.

[Received September 17—12:50 a. m.]

981. Embassy's despatch No. 3051, September 5.⁴⁹ Reliably informed that YPF planning to negotiate contract with Lati covering 1,000 liters⁵⁰ monthly aviation gasoline, which may cover Condor requirements in Argentina and perhaps leave a surplus for building reserve stocks.

Also I feel our position somewhat weakened by the fact that American company Intava supplies Condor. Local Standard Oil officials say Intava could cease supplying Condor in Argentina, but such action would cause lawsuit in Brazil, where Standard Oil contracted with Condor for supplies in Argentina and Chile as well. It is again emphasized that key to situation is in Brazil, as relatively little advantage accrues in stopping Condor or Lati here as long as Lati flies Atlantic.

Possibly restriction of export permits on ethyl fluid would offer excuse to Standard Oil for canceling Condor contracts in all three countries. If the Department desires to approach the matter from ethyl fluid standpoint, it is suggested that Ethyl Corporation representatives in Argentina, Brazil and Chile be advised immediately, so that Buenos Aires agency can serve notice on YPF regarding Lati and possibly Condor without delay.

Regarding Department's instruction No. 1162, September 6,⁴⁹ [urge] strongly that Lineas Aéreas Transcontinentales Italianas (Lati) be added to Argentine section of our Proclaimed List without delay.

It is suggested that addition of Air France to such be deferred pending developments, unless Department is certain that resumption of line means threat to our interests, and that name should be included to forestall its obtaining fuel supplies if and when service resumed.

Repeated to Rio de Janeiro.

ARMOUR

⁴⁹ Not printed.

⁵⁰ This figure was later corrected to read 100,000 instead of 1,000 liters monthly (835.796/192).

835.796/176

The Secretary of State to the Postmaster General (Walker)

WASHINGTON, September 20, 1941.

MY DEAR MR. POSTMASTER GENERAL: The Department refers to its letter of August 11, 1941⁵¹ in regard to a report that the Condor air line was planning to establish an additional weekly service between Santiago, Chile and Buenos Aires, Argentina, and to the statement in the Department's letter that Pan American Grace Airways was also desirous of inaugurating another service between Santiago and Buenos Aires.

In its reply of August 18⁵¹ your Department indicated that it was desirous of cooperating in the program designed to remove Axis influence and control over aviation in the other American Republics. This matter was the subject of an informal conference between the Chief of the Division of International Communications of this Department⁵² and representatives of your Department in the office of Mr. Purdum⁵³ on August 18.

This Department is now informed that officials of Pan American Grace Airways have taken up with the Post Office Department the matter of the designation of an additional service by Pan American Grace Airways between Santiago and Buenos Aires as an air mail schedule. It is further understood that the Post Office Department is disposed to make such designation, with the understanding that the rate of mail pay on the additional service would be such as might later be determined by the Civil Aeronautics Board in connection with the determination of an air mail rate for Pan American Grace Airways, provided the Department of State feels that such action by the Post Office Department is desirable from the standpoint of foreign policy.

With respect to the foregoing, I desire to state that this Department considers it desirable from the standpoint of foreign affairs to have the additional service by Pan American Grace Airways between Santiago and Buenos Aires designated as an air mail schedule, and takes this occasion to express appreciation of the Post Office Department's cooperation in this matter.

Sincerely yours,

For the Secretary of State:
ADOLF A. BERLE, JR.
Assistant Secretary

⁵¹ Not printed.

⁵² Thomas Burke.

⁵³ Smith W. Purdum, Second Assistant Postmaster General.

835.796/171: Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, September 24, 1941—11 p. m.

688. Please telegraph the Department the reaction of the Foreign Office to your representations in connection with YPF's supplying Axis airlines with 100,000 liters of aviation grade gasoline per month.

It is becoming increasingly difficult to keep the Interdepartmental Committee from recommending that the YPF be placed on the Proclaimed List. In this connection some confusion has arisen as a result of the statement in your 909 of August 30, 1 p.m.,⁵⁵ that control of importation and distribution of petroleum products has recently been taken from YPF and placed under the Ministry of Marine. Your comment in this regard by telegraph will be appreciated.

The Department will also appreciate being advised by telegraph regarding Argentina's stocks of ethyl fluid and whether this commodity is imported by YPF direct or through Intava.

HULL

835.796/192: Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, September 26, 1941—7 p. m.

703. For the personal attention of the Ambassador. Your 1014, September 23, 8 p. m.⁵⁵ Campodonico,⁵⁶ the New York representative of YPF, informed the Department this afternoon that the Managing Director of YPF, Buenos Aires, had stated categorically over the telephone that the YPF has not sold, is not negotiating the sale of, and will not sell any aviation gasoline to Lati. Please endeavor urgently to ascertain the facts in this matter and telegraph your findings to the Department. Campodonico added that YPF's entire output of aviation gasoline goes to the Argentine Army and Navy except for some very small quantities to local commercial distributors.

HULL

⁵⁵ Not printed.

⁵⁶ Carlos T. Campodonico, also Chief of the Argentine Purchasing Commission.

835.796/183 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, September 29, 1941—7 p. m.

[Received 11:05 p. m.]

1052. Department's 688, September 24, 11 p. m., and 703, September 26, 7 p. m. As mentioned in Embassy's telegram No. 981 September 16, 10 p. m. I took up this matter with the Under Secretary for Foreign Affairs telling him that if Y.P.F. proceeded with any such negotiations our Government might find it necessary to shut off ethyl supplies for Y.P.F. or even place it on our Proclaimed List. The Under Secretary assured me that he would investigate and report as soon as possible, and I shall again take up the matter at earliest opportunity. He seemed much concerned that Y.P.F. might be placed on our Proclaimed List remarking that our Government surely could not consider taking such action against a semi-official Argentine organization. While of course I did not tell him so I feel that such action if seriously considered should be taken only after careful thought and all other alternatives exhausted since Y.P.F. is in a position to retaliate against American companies.

It is correct that importation of petroleum products is now under direct supervision of Ministry of Marine instead of Y.P.F., as formerly, but inasmuch as the latter is a semi-official agency, it still exercises strong influence over petroleum policy.

Both Standard and Y.P.F. make direct importations of ethyl fluid for their respective consumption. Local office of Ethyl Associated Company estimates present Standard stocks total 1,325 gallons or approximately 10 months' supply. Y.P.F. stocks estimated at 5,554 gallons of which 4,230 gallons represent a reserve which is supposed to be maintained for army use. Y.P.F. monthly requirements calculated at 300 gallons. Local ethyl representative understands Y.P.F. now producing 105,680 gallons 87 octane and 52,840 gallons 80 octane aviation gasoline per month.

Regarding Department's telegram No. 703, Embassy has not yet had suitable opportunity to take up the matter directly with Y.P.F. Statement that Y.P.F. has never sold aviation gasoline to Lati is believed incorrect as Intava maintains that weekly Lati planes are served by Y.P.F. General manager of Y.P.F. recently told local general manager of Standard that rumor regarding 100,000 liters monthly

to Lati was absurd but admitted that Y.P.F. was supplying Lati with normal monthly requirements in Argentina. Embassy endeavoring to obtain expression from Y.P.F. official on this general matter at earliest opportunity.

ARMOUR

835.796/181a : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, September 30, 1941—midnight.

721. Your 1048, September 27, 4 p. m.⁵⁷ Department is, of course, anxious to prevent the re-establishment of Air France either as a trans-Atlantic service or in the event Brazil continues to refuse it a permit, as a local service operating between Argentina, Uruguay, Chile, and so forth. It would seem that Air France may be endeavoring to start an interior service in South America as a talking point in obtaining permission from Brazil to base its trans-Atlantic service there.

Do you believe there is any possibility that the Argentine Government would revoke Air France's operating permit on the ground that it has not and is not likely to establish trans-Atlantic service. For your information, Panagra in October will establish a fifth frequency between Buenos Aires and Santiago and in the near future expects to provide daily service between these points. This, coupled with the arrangement which the Reconstruction Finance Corporation hopes to conclude for the strengthening of Argentine aviation,⁵⁸ should make Air France's proposed operation superfluous.

With respect to gasoline and ethyl stocks, Standard of New Jersey says YPF is negotiating with Lati for 100,000 litres per month of 87 octane gasoline. Roberts, South America representative of Ethyl Gasoline Corporation, says YPF has a stock of about 4,000 gallons of lead, enough to lead 2,700,000 gallons of gasoline at 3 c.c. per gallon. Please check.

HULL

⁵⁷ Not printed.

⁵⁸ See telegram No. 566, August 23, 2 p. m., to the Ambassador in Argentina, p. 341.

835.796/186 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 2, 1941—5 p. m.

[Received 7:28 p.m.]

1070. Department's 721, September 30, midnight. The Embassy feels that there is little or no opportunity of Air France's permit being revoked by the Argentine Government at this time. This opinion is shared by Bradley, president of local company for Pan American Airways, who is well acquainted with Argentina's air transportation situation. However Bradley expresses the personal opinion that Air France planes should not be allowed to operate under French registry if the line does not actually connect with France. It is doubtful whether the increased Panagra services between Buenos Aires and Santiago would be sufficient argument to induce Argentina to revoke Air France permit and it is felt that the RFC project should not be mentioned at this time. Furthermore, it is believed that Argentina would like to have as many air services as possible of different nationalities as evidenced by fact that it countenances Lati.

As mentioned in Embassy's 1052, September 29, general manager of YPF denied possibility of contract with Lati for 100,000 liters monthly but admitted Lati was receiving small normal quantities for Argentine requirements. Last night a member of the Embassy staff informally discussed this matter with another official of YPF named Benassar who disclaimed knowledge of even the small monthly sales by YPF to Lati. There seems to be no doubt that YPF is selling Lati approximately 10,000 liters a month which possibly bears out a suspicion that one section of YPF does not know what another section is doing. Benassar did say that an application had just come across his desk for 100,000 liters of aviation gasoline to be shipped to a firm in Porto Alegre whose name he did not recall. He said he would recommend rejection of the application and that he could count on the support of virtually all YPF officials.

While it now appears unlikely that YPF will continue with any negotiations it might have had under consideration for sale of 100,000 liters monthly to Lati there are several factors which are still questionable. In the first place I am not certain whether my representa-

tions to the Foreign Office on this matter have been transmitted in full force to YPF. It is also possible that high Argentine officials might look with approval on negotiations with Lati. There is also the apparent lack of coordination within YPF itself.

Consequently I feel that the only way we are going to get definite information is by asking the Argentine Government for a statement as to its policy concerning a difference of opinion vis-à-vis Lati. I believe such an inquiry would be more effective if it were made by the Department to Espil.⁶⁰ At the same time and while I appreciate the position outlined in telegram No. 1299 of September 17, 8 p. m., from the Embassy at Rio de Janeiro to the Department,⁶¹ I feel that we should be prepared to justify our position in asking Argentina not to sell to Lati when Intava is selling to both Condor and Lati in Brazil and Condor in Argentina.

Paraphrase to Rio de Janeiro by courier.

ARMOUR

835.796/208

Memorandum by the Under Secretary of State (Welles) to the Acting Chief of the Division of the American Republics (Bonsal)

[WASHINGTON,] October 11, 1941.

MR. BONSALE: The Argentine Ambassador today showed me a cable from his Government by which he was instructed to convey to this Government the official assurances of the Argentine Government that the Argentine Y.P.F. would not sell any further gasoline to Lati.

S[UMNER] W[ELLES]

835.796/193: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 13, 1941—5 p. m.

[Received 9:57 p. m.]

1129. Embassy's 1080, October 3, 8 p. m.⁶¹ Today, the general manager of YPF, Mariol Villa, called at the Embassy and expressed considerable concern over status of his company's contract signed

⁶⁰ Felipe A. Espil, Argentine Ambassador in the United States.

⁶¹ Not printed.

December, 1940 with Phillips Petroleum Company regarding use of petroleum patents and training of YPF engineers in the United States. Villa understands through YPF representative in New York that our Government has requested Phillips to suspend dealings with YPF presumably because latter has been selling aviation fuel to Lati.

Villa claims that the small sales made to Lati were transacted because YPF had a surplus of 87 octane fuel caused by Argentine Army and Navy changing to 90 octane.

He said YPF sales to Lati began on August 13 and were stopped after September 5, although on September 26 he is reported to have admitted to local general manager for Standard Oil that YPF was supplying Lati with normal monthly requirements for Argentina.

At any rate, Villa said this morning that he appreciated our position and promised that YPF would accept no future orders from Lati, Condor or Air France. He desires to know as soon as possible whether such cooperation by YPF would permit resumption of dealings with Phillips Petroleum Company and says otherwise YPF would be seriously handicapped in its normal operations. On the foregoing basis, the Embassy is disposed to recommend that Phillips be allowed to proceed with YPF contract. Should the Embassy learn at some future date that YPF has violated its verbal agreement, the Department will be advised so that appropriate action can be taken.

ARMOUR

835.796/200 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 21, 1941—7 p. m.

[Received October 22—3:03 a. m.]

1169. Department's 797, October 16, 10 p. m.⁶² On October 15, a representative of Intava visited local Quilmes Airport for purpose of verifying Lati stocks. He reported 50 empty drums and 130 full drums of YPF gasoline each containing 200 liters. This means Lati still has enough gasoline for a month or two at least. It likewise indicates Foreign Minister's statement that Lati would be allowed gasoline for only two or three trips more was a general rather

⁶² Not printed.

than specific promise. I also feel his stand might have been prompted by pressure which we can bring on YPF rather than by the desire to eliminate Lati because it is Italian.

As mentioned in previous telegrams there has been confusing information given by YPF and other official sources. Intava also hears that YPF has been installing storage tanks at Quilmes, Airport for Lati. Although Lati still has a supply of YPF gasoline larger than we anticipated it is believed that YPF is now quite worried over possibility of having Phillips contract suspended, as mentioned in Embassy's 1129, October 13, 5 p. m.

While YPF did not ask for a *quid pro quo* arrangement it anticipates some reaction as to whether it can continue with its Phillips contract. Should Department wish to reply along these lines, and if such proposal is feasible, it is suggested that YPF be informed that Phillips contract will be resumed but only if YPF makes every effort to withhold gasoline from Condor, Lati, Air France and also Corporación Sud Americana de Servicios Aereo. This latter Argentine company is Italian controlled and although receiving its own gasoline from Intava it might also be buying from YPF for diversion to Lati. Under such arrangement it is believed that YPF can be restrained from supplying pro-Axis airlines even if Intava subsequently stops supplying Condor.

With regard to Condor, the Embassy appreciates the desirability of abolishing such service between Buenos Aires and Santiago but it is problematical whether Argentina would be sympathetic. Following factors raise question as to whether matter should be taken up with Argentine officials and whether Argentina would be willing to take action desired: (1) Condor is nominally a Brazilian company which might make Argentina double [*doubly*] hesitant to cancel its concession. (2) While Condor's service to Chile is undoubtedly extension of Lati trans-Atlantic service Argentina would not regard this as sufficient excuse for cancellation. As long as Lati connects Europe with Brazil, Pan American Airways as common carrier is obliged to act as feeder for other ports of South America. (3) Argentina would have natural reticence in eliminating competition and placing its air connections with Chile in the hands of single foreign company. It would have difficulty in justifying cancellation of Condor which ostensibly has given satisfactory public service, incidentally at lower rates. This angle covered in article page 40 of magazine *American Aviation* of September 1st. (4) Regardless of Condor both Pan Air and Panagra would have little difficulty in filling a daily service. In fact present difficulty in getting reservations is creating some feeling

against the company. (5) If Condor service to Chile were canceled before similar action in Brazil it is believed that both Argentina and Chile would question this move particularly if Intava continued to supply Condor in Brazil. I realize that situation in Brazil is complicated and that more factors are involved but past conversations with Intava and other reliable observers confirm opinion that it is difficult to treat Condor and Lati operations in Argentina as a separate problem and that prior or concurrent action in Brazil is essential in properly handling the situation in Argentina.

Assuming that daily service will soon be offered by Pan Air and Panagra and Intava should then curtail or cancel supplies to Condor it is probable that above mentioned arrangement with YPF would keep it from becoming substitute supplier. However, should matter of Condor cancellation be discussed beforehand with Argentina and as seems probable the response should be negative, we would find it doubly difficult to act later on our own initiative through Intava.

Paraphrase to Rio de Janeiro and Santiago via courier.

ARMOUR

835.796/201 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 22, 1941—7 p. m.

[Received 10:15 p. m.]

1178. Referring to Embassy's 1169 of October 21, 7 p. m. Intava has received instructions from New York to restrict deliveries to Condor for immediate operating requirements only. Condor now has four storage tanks of 10,000 liters each at Quilmes Airport and is installing three more similar, while YPF is understood to be installing two for Lati.

There is possibility that when Condor hears of new Intava instructions YPF will be approached and will be tempted to sell enough to fill Condor and Lati tanks since such transaction would be difficult to check. Therefore it is believed that YPF should again be warned within the next few days before Condor makes its next request for Intava gasoline thereby learning of new Intava instructions. Before approaching YPF on this matter does Department wish to state its attitude regarding Phillips contract which can be transmitted to YPF at the same time? Prompt reply will be appreciated.

ARMOUR

835.796/201 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, October 24, 1941—9 p. m.

837. Your 1178, October 22, 7 p. m. The Standard Oil Company of New Jersey has instructed its subsidiaries immediately to stop all sales to Axis airlines in view of intimations from this Government that if they should continue to sell to Axis airlines the company and its subsidiaries would be proposed for inclusion in the Proclaimed List. License in special cases would only be granted on the Ambassador's urgent recommendation.

It is almost certain that if YPF continues to sell gasoline to firms on the Proclaimed List, YPF itself will be proposed for inclusion in that list, and you are authorized again to warn YPF of this prospect.

HULL

835.796/193 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, October 25, 1941—5 p. m.

842. Your 1129, October 13, 5 p. m., and 1169, October 21, 7 p. m. With respect to your inquiry whether the Phillips Petroleum Company would, under certain conditions, be permitted to proceed with its contract with YPF, it may be stated that the manufacture of high octane gasoline requires highly specialized machinery all of which for some time to come is earmarked for urgent defense needs.

It is accordingly evident that it will not be feasible in the near future to provide Argentina with the desired manufacturing facilities irrespective of whether YPF undertakes a commitment to withhold fuel from Axis airlines.

HULL

835.796/203 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 27, 1941—5 p. m.

[Received October 28—12:44 p. m.]

1202. Following for Harding or Burden⁶⁴ of Defense Supplies Corporation from Knowlton and Royce.⁶⁵

"We are impressed with potentialities proposed Sana route but we do not believe our Government should assist establishment this operation alone because sponsors not first class nor do they have com-

⁶⁴ William A. M. Burden, vice president of Defense Supplies Corporation.

⁶⁵ Hugh Knowlton and Alexander B. Royce, representing the aviation section of the Reconstruction Finance Corporation.

petent executive or technical management and there is no great need at present as cabotage adequately handled by Panagra. However, our primary objective is elimination of Corporación for we are satisfied Aeroposta is in no sense now under German control or even influence whereas Corporación is in fact controlled [through] indirect ownership by Italian Government. Therefore if we can bring about elimination of Corporación, influence of Italy and Germany in internal lines is eradicated.

We are convinced that Argentine Government knows of Italian Government ownership of Corporación but will not voluntarily take any action. Furthermore internal politics make present time most inauspicious for expecting helpful action by Argentina in any general program.

In spite of objections to Sana above mentioned we believe that because of inertia of Argentine Government we should take advantage of fact that Sana's sponsors are energetically interested and have certain influence as evidenced by fact they obtained concession. We believe the new Sana route operated in conjunction with a line from here to Asunción replacing present Corporación operation and also taking in territory to east of it, namely, cities along Uruguayan border, would make a promising operation. We believe it probably desirable that such an operation be developed as an Argentine enterprise headed by an Argentine of highest standing with desired contractual arrangements as to equipment and personnel and management contract with Pan American Airways. Our hope is that such a project would sufficiently appeal to Argentina to cause it to cancel Corporación's Asunción concession. We would try for inclusion of Aeroposta in above development but as Aeroposta seems satisfied with its present status and believes its present equipment adequate for next few years it may not be possible to obtain at this stage more than an *entente cordiale* between Aeroposta and the new operation.

Cancellation of Corporación['s] Montevideo concession will probably be more difficult and unless you object we should like acting in cooperation with State Department representatives to consider possibility of accomplishing this through Uruguay.

We have made no selection yet of Argentine to head enterprise or of persons to assist in negotiations . . .

Please cable earliest your comments."

Above telegram given back number coded October 28, noon.

ARMOUR

835.796/204 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 28, 1941—7 p. m.

[Received October 29—5: 12 a. m.]

1210. With reference to the Department's 837, October 24, 7 [9] p. m., local Intava office apparently has not received instructions immediately to cease sales to Axis airline Condor, but as mentioned in

the Embassy's telegram 1178, October 22, 7 p. m., it was instructed to restrict deliveries to immediate operating requirements, or approximately plane to plane basis. Intava has not supplied Lati in Argentina since August.

YPF was again consulted this morning, and general manager Villa reiterates his company has not sold to Lati since September and in future intends to restrict sales of YPF aviation fuel to Argentine Army and Navy. Villa denied YPF constructing storage tanks Quilmes for Lati, which information given Embassy by Intava. Upon further inquiry Intava unable substantiate this rumor. YPF apparently showing earnest desire cooperate in keeping gasoline from Axis airlines, this attitude possibly due to its dependence on American materials and patents. It is very much concerned about suspension of negotiations with Phillips Petroleum Company. With regard to Department's 842, October 25, 5 p. m., Phillips contract does not involve purchase of "highly specialized machinery for manufacture high octane gasoline". It merely covers use of Phillips patents and benefit of Phillips research, plus training of YPF technicians and interchange of operating experience between the two companies. Contract was signed December 1940 after months of negotiations, and extends for 5 years. YPF made initial payment of \$250,000 and is to pay five subsequent annual installments of \$50,000 each.

In view of YPF's present disposition to cooperate, and fact that Phillips contract does not involve delivery of machinery, it is recommended that Phillips be allowed to carry out its contract. Embassy would appreciate learning Department's reaction as soon as possible, as YPF has made several inquiries regarding status of the matter.

ARMOUR

835.796/193

The Secretary of State to the Ambassador in Argentina (Armour)

No. 1403

WASHINGTON, November 12, 1941.

SIR: Reference is made to the Department's telegram No. 842 of October 25, 5 p. m., advising you that it would not be feasible in the near future to provide the Yacimientos Petrolíferos Fiscales of Argentina with facilities for the manufacture of high octane gasoline, since these facilities include highly specialized machinery the production of which for some time to come has been earmarked for urgent defense needs.

There are enclosed for your strictly confidential information, and for dissemination only to the members of your staff who in your dis-

cretion will have need thereof, (1) a copy of the War Department's letter of September 19, 1941,⁶⁶ recommending denial of export license for the plant contemplated in the contract between YPF and the Phillips Petroleum Company and (2) a copy of a memorandum prepared by an officer of this Department on October 16, 1941,⁶⁶ regarding the necessity of deferring the provision of identical equipment to the Union of Soviet Socialist Republics, despite the country's critical needs and our policy of all-out help.

It will be evident from a perusal of the enclosed papers that the continued denial of license to export to Argentina plant for the manufacture of high octane gasoline is in no way linked to YPF's dealings with Axis airlines. Under existing conditions it would not be possible to purvey the desired equipment to Argentina even if YPF agreed completely to stop all sales to firms on the Proclaimed List. Action in this case for the time being is dictated by actual and urgent defense needs.

It is appreciated that you will be subjected to great pressure in this matter when it becomes clear to YPF that the plant is not being withheld as a bargaining weapon in negotiations looking towards the elimination of Axis airlines in Argentina. However, the Department is confident that you and the members of your staff who may be involved will bear in mind the wisdom of keeping from the aggressors information as to the tightness of our situation in aviation grade gasoline and our plans for improving that situation.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

835.796/1414

The Secretary of State to the Argentine Ambassador (Espil)

The Secretary of State presents his compliments to His Excellency the Ambassador of the Argentine Republic and with reference to his note of June 27, 1941,⁶⁷ regarding a matter between the Yacimientos Petrolíferos Fiscales and the Phillips Petroleum Company, regrets to inform His Excellency that the appropriate authorities of this Government have found it impossible under existing conditions to grant the request of the Yacimientos Petrolíferos Fiscales.

WASHINGTON, November 12, 1941.

⁶⁶ Not printed.

⁶⁷ Not printed; it stated that the Argentine request had been submitted to the appropriate Government authorities. For the Argentine request, see note D.E. No. 110, May 21, from the Argentine Ambassador, p. 335.

835.796/200 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, November 25, 1941—9 p. m.

974. Your 1169, October 21. Panagra will establish a daily service on a permanent basis between Buenos Aires and Santiago which will be in effect November 25 eastbound and November 26 westbound.

You are requested to notify the Argentine Government that Panagra is establishing the additional frequencies at the request of this Government in order that there will be no reduction in air services between Buenos Aires and Santiago when Condor no longer operates between those points.

You may also say that since the daily service will be equal to the present frequencies of Panagra and Condor combined, the United States oil companies concerned are being instructed to furnish no more gasoline to Condor for the Santiago-Buenos Aires run as soon as Panagra's daily service is in effect.

For the time being, the oil companies will be permitted to furnish Condor sufficient gasoline to maintain their present schedules between Buenos Aires and Rio pending the substitution by Pan American of those services.

The Department understands that the YPF will not furnish Condor with any gasoline.

In view of the comments in your telegram under reference, the Department does not expect the Argentine Government will cancel Condor's franchise at this time but hopes that it may do so at sometime after Condor has ceased operations.

HULL

835.796/223 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, December 27, 1941—3 p. m.

[Received 3 : 25 p. m.]

1565. Standard Oil of Brazil has been endeavoring to secure the return of its refueling equipment loaned to Air France in Brazil. In recent conversation with Intava of Buenos Aires, Thomas of Air France refused to give up such equipment unless Intava agreed to furnish small quantity gasoline and fluid to keep its engines in good condition. After consulting with this Embassy Intava insisted on return of its equipment saying no *quid pro quo* arrangement was possible but that Air France request would be considered after return of material.

Air France has now instructed its Brazilian branches to return equipment to Standard Oil. It has also advised Embassy that its former gasoline stock in Buenos Aires is now exhausted and has requested us to instruct Intava regarding delivery of 500 liters monthly of 73 octane gasoline to regularly run engines on ground plus 50 liters anti-corrosion fluid pointing out that such quantities could be used only for purpose intended. Air France says its flying equipment in Argentina consists of 4 trimotors and 1 bimotor plus 17 spare engines.

Unless Department perceives objection Embassy will instruct Intava on January 2 to proceed with such deliveries.

Repeated to Rio de Janeiro.

ARMOUR

835.796/223 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, December 30, 1941—11 p. m.

1166. Your 1565, December 27, 3 p. m. As Air France is on Proclaimed List, you should instruct Intava not to furnish the gasoline and anti-corrosive fluid or any other supplies to Air France.

HULL

NEGOTIATIONS FOR AN AGREEMENT ON THE PURCHASE OF EXPORTABLE SURPLUSES OF STRATEGIC MATERIALS FROM ARGENTINA

811.20 Defense (M)/1194 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, March 10, 1941—noon.

94. Embassy's 118 [116], February 10, 7 [4] p. m.⁶⁸ Metals Reserve Company⁶⁹ is willing to enter at once into negotiations to buy up 1,800 tons of Argentine tungsten annually for a period of two or three years (with an option to take production over that figure on the same basis as it may acquire that amount) provided it can be secured on reasonable terms. It is ready to negotiate with Williams⁷⁰ for the tungsten which his company produces and for any other tungsten which he may be able to acquire for sale to it. However, Metals Reserve does not believe it wise to attempt to use Williams as the exclu-

⁶⁸ Not printed.

⁶⁹ The Metals Reserve Company was created by the Reconstruction Finance Corporation on June 28, 1940, to acquire and hold in reserve a supply of strategic metals; the Reconstruction Finance Corporation was a part of the Federal Loan Agency.

⁷⁰ Thomas J. Williams, of Minerales y Metales Sociedad de Responsabilidad Limitada.

sive agency for acquiring the tungsten of other Argentine producers. It suggests instead that the Argentine Government might be willing to create an organization to acquire the tungsten that will not come into the hands of the Williams Company and it would be willing to enter into a contract with this Argentine organization similar to that with the Williams Company.

The distinct wish exists to acquire all of the Argentine tungsten production. Will you therefore (a) discuss this matter with Williams and see if he is ready to sign a contract of this character with the Metals Reserve Company which is willing in that case to discuss terms at once, preferably through a representative in this country; (b) discuss the matter also with the proper Argentine governmental authorities and ascertain whether they would be agreeable to create the organization suggested and to enter into the agreement suggested with the Metals Reserve Company.

Will you also inquire whether the Argentine Government would be willing to enter into a similar agreement for beryllium. We would like to have first an estimate of the quantity of beryllium production and some indication of price.

HULL

811.20 Defense (M)/1426: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, March 13, 1941—7 p. m.

[Received March 14—3:30 a. m.]

195. Department's 94, March 10, noon; and Embassy's No. 188, March 12, 6 p. m. [*a. m.*]⁷¹ The following proposition has been handed to the Embassy by Thomas J. Williams of *Minerales y Metales Sociedad de Responsabilidad Limitada* stating that his concern is prepared to act as purchasing agent for the Metals Reserve Company under the conditions stipulated. A communication of *Minerales y Metales* dated March 13, 1941 reads as follows:

"Confirming the information given orally this morning, we are pleased to confirm herewith the following proposition for the purchase of tungsten in the Argentine Republic:

The Japanese are becoming increasingly aggressive in the market and are endeavoring to obtain long-term contracts covering tungsten production. They are now paying the equivalent of \$22½ a short ton unit delivered in Buenos Aires. At present, therefore, there would seem to be no way to accomplish purpose other than by taking immediate measures to meet Japanese competition before future production is compromised. We are not opposed to start buying at best

⁷¹ Latter not printed.

competitive prices assuring that we shall exercise always the utmost effort to prevent artificial increases. We are agreeable to operating on a constructively non-profit basis, namely a probable maximum of say one and one-half per cent on purchase price to cover actual purchasing expenses, with forwarding charges for the account of the Metals Reserve Company. We are willing to finance purchases in interior but would require reimbursement on arrival in warehouse on [in] Buenos Aires. We agree in principle to non-exclusive arrangement but emphasize the risk of artificial price increase if other commercial buyers are authorized to act simultaneously for MRC.⁷²

Respectfully express, por Minerales y Metales Sociedad de Responsabilidad limited. Signed Thomas J. Williams."

ARMOUR

811.20 Defense (M)/1498: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, March 21, 1941—6 p. m.

[Received 10:35 p. m.]

221. Department's 94, March 10, noon. In compliance with Department's instructions to discuss with the authorities here the question of obtaining the entire Argentine output of tungsten and the possible establishment by the Government of an organization to cooperate with the Metals Reserve Company, I discussed and left a memorandum on the subject with the Under Secretary for Foreign Affairs. A member of the staff subsequently spoke of the matter with the sub-manager of the Central Bank, Dr. Edmundo Gagneux. Whereas neither official was in a position to make a definite reply, both indicated interest but at the same time expressed serious doubt whether it would be deemed feasible to ensure the export to the United States of Argentina's entire production through the organization of such a company.

Dr. Gagneux stated that he thought the best and most expeditious way to secure results would be to authorize a commercial concern to enter the market and outbid other buyers.

He expressed the opinion that it should be possible for such a commercial representative to make reasonably long-term contracts with the smaller operators and so gain control of the major portion of this country's production.

In view of further evidence of efforts on the part of the Japanese to buy Argentine tungsten and the improbability of any early cooperation on the part of the Argentine Government, it is thought that the Metals Reserve Company may wish to proceed forthwith with the

⁷² Metals Reserve Co.

first part of the plan, namely, the authorization of *Minerales y Metales S. R. L.* to make purchases and possibly enter into contracts insuring control of future production.

ARMOUR

811.20 Defense (M)/1543

The Ambassador in Argentina (Armour) to the Secretary of State

No. 2140

BUENOS AIRES, March 21, 1941.

[Received March 28.]

SIR: I have the honor to refer to the Department's telegram no. 94 of March 10, 12 noon, and to report in confirmation of the Embassy's reply no. 188 of March 12, 6 p.m. [*a.m.*]⁷⁴ that Mr. Thomas J. Williams, of *Minerales y Metales S.R.L.* of Buenos Aires, has expressed his readiness to enter into a non-exclusive contract with the Metals Reserve Company on the terms outlined in telegram no. 195 of March 13, 7 p. m., and that the question of whether the Argentine Government is disposed to create an organization for the purpose of making available such tungsten as may not be obtainable for American account through commercial channels has been taken up with the appropriate authorities in this country.

In this connection there are enclosed for the information of the Department a copy and a translation of a memorandum⁷⁴ which was left with the Under Secretary of the Ministry of Foreign Affairs on March 17.

Respectfully yours,

NORMAN ARMOUR

811.20 Defense (M)/1579: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, April 4, 1941—6 p. m.

[Received 7:36 p. m.]

277. Embassy's despatch 2140, March 21, and telegram 225, March 22, 5 p. m.; and 259, April 2, 6 p. m.⁷⁵ A memorandum dated March 31 was received today from the Foreign Office in reply to Embassy's memorandum of March 14 inquiring whether the Argentine Government would be disposed to create an organization to supply the Metals Reserve Company with such part of the Argentine production of tung-

⁷⁴ Not printed.

⁷⁵ Telegrams Nos. 225 and 259 not printed.

sten as cannot be obtained through the usual commercial channels. The Chancellery's note states that ["the Argentine Government sees no objection to the acquisition by the Government of the United States of our total exportable production of tungsten["] and that the former would be disposed if necessary to take adequate official steps to promote its production and exportation, always with due respect for constitutional and legal requirements guaranteeing freedom of commerce in this country.

As already reported, the Embassy recommends that the purchase program be not deferred until a Government entity can be created since even in the light of the responsiveness of the above reply considerable delay is inevitable and in the meantime the proportion of the Argentine production bought or contracted for by the Japanese is increasing. It will be observed that the reply does not state categorically whether measures will be taken to reserve the total production for export to the United States.

ARMOUR

811.20 Defense (M)/1658: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, April 9, 1941—8 p. m.
[Received 9:20 p. m.]

302. Embassy's No. 298, April 8, 9 p. m.⁷⁶ Mr. Grumbach⁷⁷ told a member of staff today that after discussing the tungsten question further it was the consensus of opinion among the Argentine officials concerned that it would be advisable to follow the "Williams plan", see Embassy's telegram 252, April 1, 3 p. m.,⁷⁶ saying that "after all the main thing is to prevent tungsten from going to the Far East". He said they felt that the most practical and expeditious means to this end would be to start purchases through commercial channels and added that this could be done without prejudice to the possible creation later of a government sales entity. He states that the Central Bank would not put any obstacles in the way of forward contracting [*sic*] but on the contrary would be disposed to facilitate the carrying out of the so-called "Williams plan" involving contracting for future production. He stressed the impossibility of quick action in creating a Government sales organization with three separate Ministries involved.

In substantiation of his price offer set forth in the Embassy's telegram last referred to, Williams reports that the lamp division of West-

⁷⁶ Not printed.

⁷⁷ Edgardo Grumbach of the Central Bank of Argentina.

inghouse Electric and Manufacturing Company of Bloomfield, New Jersey, has placed an order with Minerale and Metales for 25 tons of wolframite from their Sominar⁷⁸ mine for shipment during July and August at \$22.50 per short ton unit c.i.f. New York.

ARMOUR

811.20 Defense (M)/1734: Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, April 12, 1941—7 p. m.

169. Within the next few days it is planned to grant general licenses for the exportation of certain products exported to Argentina. At the same time it is hoped that the Argentine Government will place tungsten on its list of materials for the export of which a license is required and also take appropriate measures to insure the United States' obtaining at least 75% of the total tungsten production at a reasonable price and for a period of time. These details to be the subject of further negotiations. While it is not desired to make the liberalizing of our export control licensing contingent upon the Argentine Government's acceding to our wishes in the matter of tungsten, it is hoped that the Argentine Government will willingly cooperate in the latter matter.

The foregoing information is being given to the Argentine Embassy here. You may likewise discuss the foregoing with the Argentine Minister of Foreign Affairs. Please telegraph any action the Argentine Government may take with regard to the control of tungsten exports.

HULL

811.20 Defense (M)/1756: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, April 18, 1941—3 p. m.

[Received 5:40 p. m.]

338. The matter dealt with in the enclosure to the Department's instruction No. 775, April 7⁷⁹ and its telegram 169, April 12, 7 p. m., have been discussed informally with the Argentine Ministry of Foreign Affairs and Central Bank. It is too soon to express an opinion regarding what the official attitude of the Argentine Government will

⁷⁸ Sociedad Minera Argentina.

⁷⁹ Not printed.

be, but it is hoped that some specific suggestions will be forthcoming within the next day or two.

It may prove advisable to link up tungsten exports with one or more specific imports from the United States and the Embassy suggests that zinc and tinplate might be studied in this connection. If the Department is in a position to indicate tentatively what might be regarded as a reasonable price for tungsten concentrates at present for the purposes of these discussions, it would be helpful to have this information.

ARMOUR

811.20 Defense (M)/1934 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, May 9, 1941—3 p. m.

[Received 4:32 p. m.]

415. Embassy's telegram No. 398, May 6, 5 p. m.⁸⁰ In conversation with a member of the staff Dr. Prebisch, manager of the Central Bank, reiterated his interest in the tungsten question and his desire to cooperate in enabling the United States to procure Argentine production. He expressed interest in what had apparently been done in Bolivia⁸¹ and stated that while he readily saw the advantage of a long term contract with the United States at a reasonable price he thought care would have to be exercised not to bring down on both Governments criticism because of alleged failure to have a due regard for the producers and their employees. It was clear that he hoped for a substantial improvement over the Bolivian price.

He stated categorically that he thought there should be a good chance of effecting an arrangement at a price "not too far below that paid by the Japanese", but that it would be very important to have as a reason for diverting tungsten to the United States the necessity of securing certain essential materials from the United States. He made it most clear that a direct connection with specific exports from the United States would be needed as [an inducement] and implied that the absence of such a *quid pro quo* might make it more difficult to place in operation the plan contemplated.

ARMOUR

⁸⁰ Not printed.

⁸¹ For correspondence regarding negotiations for the purchase by the United States of strategic metals from Bolivia, see pp. 452 ff.

811.20 Defense (M)/1934 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, May 13, 1941—8 p. m.

240. Reference is made to the Embassy's No. 415 of May 9 and previous. Metals Reserve Company advises that it will buy the entire Argentine tungsten production at a price in excess of the original Bolivian price and authorizes a bid of \$19.00 per unit and a 2-year contract for the entire production. This price is not the absolute top limit but naturally it is hoped that you will be able to make the agreement at the \$19.00 price.

Such a contract would necessarily involve placing tungsten on the export control list and an agreement to issue no licenses except to the United States and other American republics which have adopted an export control system in collaboration with the United States Government.

With reference to the suggestion that the agreement for the purchase of tungsten be directly connected with the granting of licenses by the United States, the Department makes the following comments:

The export control authorities have shown the greatest liberality in granting licenses for the export of United States products to the Argentine. Even where such products are urgently needed here, as for example copper, the United States has gone out of its way to accommodate the needs of the Argentine economy. Specifically, licenses have been granted for the export of rubber, tin, and machine tools. In the face of growing demands for these commodities and materials in our own industries, licenses have been granted with great freedom for chemicals, petroleum, tires, and iron and steel. Only where there is a grave shortage, as in the case of aluminum, has this Government felt compelled to refuse export licenses in cases where the Argentine Government has expressed an interest.

With respect to the suggestion in your no. 338 of April 18 that zinc and tin plate be licensed, the Department is advised that a quota of 72,000 tons of tin plate for the last 8 months of 1941 has been granted. It is presumed that this arrangement will meet adequately the requirements of Argentina for this material as described in your despatch no. 2327 of April 24.⁸³ As to zinc, it would be most difficult to grant licenses in any substantial quantity. At the moment the demand for refined zinc is overwhelming. Small lots in as low as 18 ton quantities are being parceled out, and these are almost entirely for defense uses. The only way in which zinc could be made avail-

⁸³ Not printed.

able to Argentina would be through the cancellation of private contracts by use of the priorities authority.

In spite of these difficulties the Department is willing to make every effort to make available to the Argentine such materials as it needs urgently if this can be done without serious impairment of the national defense effort. It is accordingly suggested that you review this matter with the Argentine governmental authorities and attempt to get their agreement to the sale of the tungsten and the establishment of export control on tungsten as suggested above merely on the basis of the assurance that the United States Government will continue as in the past to give freely and cooperatively assistance in granting licenses for the export of materials needed by the Argentine. If it develops during the course of these conversations that there are specific commodities for which a license is urgently desired, you are requested to telegraph the details as to these requests to the Department.

HULL

811.20 Defense (M)/2471

*Draft Proposal for the Purchase of Tungsten by the United States*⁸⁴

The Metals Reserve Company, hereinafter called the "Buyer", is prepared to grant the following terms in the purchase of, receipt, and payment for the total Argentine production of ores and/or concentrates of tungsten (including wolframite, hubernite, ferberite, scheelite and complex ores of tungsten) in accordance with the terms and conditions hereinafter set forth during a three-year period provided, however, that the deliveries in any one year shall not exceed 1800 short tons of tungstic oxide (WO_3), with the understanding that any deficiency under said 1800 short tons in any year may be carried over into the next succeeding year or years within the three-year period, with option on the part of the Buyer to accept, under the terms hereof, all additional tungsten ores and concentrates produced in Argentina over and above said 1800 short tons. Furthermore, the Buyer suggests that not later than six months prior to the expiration of the three-year delivery period negotiations be entered into to consider a renewal of a purchase agreement for two (2) years or more as may be agreed upon and for such yearly quantity and upon the same terms and conditions as provided in this offer except for the price thereof which shall then be determined.

⁸⁴ Submitted to the Argentine Ministry for Foreign Affairs by the Chargé in Argentina with a covering memorandum dated June 18, 1941. Copy transmitted to the Department by the Chargé in his despatch No. 2599, June 18, 1941; received June 27.

The ores and/or concentrates delivered under this offer are to meet the following specifications and requirements and shall be paid for according to the following schedule of prices:

CLASS A—HIGH GRADE WOLFRAM CONCENTRATES: Standard quality will be: WO_3 minimum 65%; tin maximum 1.5%; arsenic maximum 1.0%; sulphur maximum 1.5%; copper maximum 0.8%, and will be paid for at \$21.00 per short ton (2,000 lbs.) unit of WO_3 net dry weight, on a C.I.F. New York basis.

Penalties and Bonuses: In case of deviations from the above analysis, the following penalties or bonuses will be paid:

Penalties: For each percent WO_3 below 65% down to and including 60%, a penalty of \$0.045 per short ton unit of WO_3 , net dry weight, fractions in proportion. For each further percent WO_3 below 60% down to and including 55%, a penalty of \$0.09 per short ton unit of WO_3 , net dry weight, fractions in proportion. If the WO_3 content should be less than 55%, Buyers have the option of rejecting the material under this Clause, or accepting it at a mutually agreed allowance.

TIN: If tin exceeds 1.6%, a penalty of \$0.03 per short ton unit of WO_3 for each 0.1% tin above 1.5% will be paid by the Seller.

ARSENIC: If the arsenic content exceeds 1.0% but is less than 1.5%, the Seller will pay a penalty of \$0.15 per short ton unit of WO_3 . If the arsenic content exceeds 1.5%, but is less than 2.0%, the Seller will pay a penalty of \$0.20 per short ton unit of WO_3 . If the arsenic content is less than 3.0% but more than 2.0%, the Seller will pay a penalty of \$1.00 per short ton unit of WO_3 . The Buyer is not obligated to accept more than 10 tons per month of this last class of material having arsenic content between 2.0% and 3.0%.

COPPER AND SULPHUR: Any ores and/or concentrates with content of copper above 0.8%, or content of sulphur above 1.5%, but which is not subject to the rejection options set forth below, shall be paid for at \$20.00 per short ton unit of WO_3 subject to the above mentioned penalties for WO_3 , tin and arsenic.

Rejection Options: The Buyer has the option of rejecting under Class A, or of purchasing subject to the above mentioned penalties, all ores and/or concentrates with:

- a) WO_3 content below 55%;
or
- b) Arsenic content above 3.0%;
or
- c) Copper content above 1.6%;
or
- d) Sulphur content above 2.0%

Bonuses: For ores and/or concentrates which, on account of their low impurities and high WO_3 contents, are better quality than standard Argentine material, premiums will be paid on the following basis: If the tin content is less than 1%; arsenic less than 0.2%; sulphur less than 0.75% and WO_3 content not less than 65%, the following prices will govern:

For 65%	WO_3	\$21.10	\$US per short ton unit.
" 66%	"	21.20	"
" 67%	"	21.30	"
" 68%	"	21.40	"
" 69%	"	21.50	"
" 70% and over		21.60	"

CLASS B—LOW GRADE WOLFRAMITE CONCENTRATES: Concentrates or ores containing from 55% WO_3 to 30% WO_3 in the form of wolframite will be subject to the same penalties for WO_3 , tin, arsenic, copper and sulphur, and to the same rejection options for impurities as for Class A ores and concentrates and will pay an additional penalty of \$US 1.—per short ton unit of WO_3 . Buyer shall have option of rejecting ores or concentrates of this Class below 30% WO_3 .

CLASS C—HIGH GRADE SCHEELITE CONCENTRATES: Standard quality will be: WO_3 minimum 60%; tin maximum 0.5%; arsenic maximum 0.5%; sulphur maximum 1.0%; copper maximum 0.2%; and will be paid for at \$21.00 per short ton (2,000 lbs.) unit of WO_3 net dry weight on a C.I.F. New York basis.

Penalties and Bonuses: In case of deviations from the above analysis, the following penalties or bonuses will be paid:

Penalties: WO_3 For each percent WO_3 below 60% down to and including 55%, a penalty of \$0.09 per short ton unit of WO_3 , net dry weight, fractions in proportion. If the WO_3 content should be less than 55% Buyers have the option of rejecting the material under this Clause or accepting it at a mutually agreed allowance.

TIN: If tin exceeds 0.5% a penalty of \$US 0.03 per short ton unit of WO_3 for each 0.1% tin above 0.5% will be paid by the Sellers.

ARSENIC: If the arsenic content exceeds 0.5% but is less than 1%, the Sellers will pay a penalty of \$US 0.15 per short ton unit of WO_3 .

COPPER AND SULPHUR: Any ores and/or concentrates with content of copper above 0.2% or content of sulphur above 1.0%, but which is not subject to the rejection options set forth below, shall be paid for at \$20.00 per short ton unit of WO_3 , subject to the above mentioned penalties for WO_3 , tin and arsenic.

Rejection Options: The Buyer has the option of rejection under Class C or of purchasing subject to the above mentioned penalties, all ores and/or concentrates with:

- a) WO_3 content below 55%;
or
- b) Tin above 1%;
or
- c) Arsenic above 1%;
or
- d) Copper above 0.5%;
or
- e) Sulphur above 1.5%.

Bonuses: For ores and/or concentrates which, on account of their low impurities and high WO_3 contents are better quality than standard Argentine material, premiums will be paid on the following basis: If tin content is less than 0.2%, arsenic less than 0.1%, sulphur less than 0.75%, and WO_3 content not less than 60%, the following prices will govern:

For 60%	WO_3	\$21.10	per short ton unit.
" 61%	"	21.20	"
" 62%	"	21.30	"
" 63%	"	21.40	"
" 64%	"	21.50	"
" 65% and over		21.60	"

CLASS D—LOW GRADE SCHEELITE CONCENTRATES AND ORES: Concentrates or ores containing less than 55% WO_3 and more than 30% WO_3 will be subject to the same penalties for WO_3 —tin, arsenic, copper and sulphur, and to the same rejection options for impurities, as for Class C ores, and will pay an additional penalty of \$US 1.00 per short ton unit of WO_3 .

Rejection Option: The Buyer has the option of rejecting under Class D or of purchasing subject to the above mentioned penalties, all ores and concentrates containing less than 30% WO_3 .

Weighing, Sampling and Assaying: By Ledoux & Co., Lucius Pitkin, Inc., or Walker & Whyte, Inc., as determined by mutual agreement between Sellers and Buyer—expenses to be shared equally by Buyer and Sellers.

Payment: Eighty percent of the estimated value in the port of embarkation of the ores and/or concentrates will be paid to Sellers by Buyer upon receipt of shipping documents which will be sent to New York promptly by airmail by Buyer's agent or agents. Estimated value to be based on Sellers' weights and assays as stated in Argentine Customs Declarations. The Balance due will be paid upon receipt of the final certificate of weight and assay issued by Ledoux & Co., Lucius Pitkin Inc., or Walker & Whyte, Inc.

In no case will final payment be delayed more than 30 days after arrival of steamer in New York. If any ores and/or concentrates are delayed for more than 30 days at the port of embarkation on account of lack of steamer space, the Buyer will pay 80% of the estimated value in the port of embarkation, based on Sellers' weights and assays, to the Sellers, and if shipment is delayed for an additional 60 days for the same reason, a further advance of 10% of such estimated value will be made to the Sellers.

Delivery: To Buyer's agent F. O. B. steamer port of Buenos Aires, Argentina. All expenses of storage, insurance, and other delivery charges in port of embarkation shall be for Sellers' account.

Shipment: Consigned to Metals Reserve Co., in bond, with "On Board" Bills of Lading.

Method of Shipment: The Sellers will make the shipment freight collect, such freight to be deducted from the final returns. The Sellers will make their own arrangements for shipping, but upon written request from the Sellers, the Buyer agrees to cooperate to obtain adequate shipping facilities at normal rates from the port of Buenos Aires, Argentina. Any increase or decrease in the present freight rates will be for account of the Buyer.

Insurance: Marine and war risk insurance, in favor of Buyer, at 10% over invoice value will be covered by Sellers at Sellers' expense with such companies as may be satisfactory to Buyer.

Duties and Taxes: United States duties and taxes on the ores and concentrates after delivery thereof to Buyer will be for account of Buyer.

Force Majeure: Sellers shall not be liable for any default or delay caused by any contingencies beyond their control preventing or interfering with their making shipment, including strikes, floods, fire, wars, rebellions, acts of nations, peoples or princes, or any other contingencies of any kind whether similar to those specifically mentioned or not, affecting the Sellers.

811.20 Defense (M) 2480§

The Department of State to the British Embassy

MEMORANDUM

The Department has received the Memorandum of the British Embassy of June 16, 1941⁸⁵ which outlines the program of purchases by the United Kingdom in the Argentine for the twelve months beginning September 3, 1941.

⁸⁵ Not printed.

The Department, on June 23, 1941, telegraphed the American Embassy at Buenos Aires⁸⁶ that the Federal Loan Agency, in addition to its previous offer to acquire the entire production of Argentine tungsten, was prepared to make an offer to buy certain other products of the Argentine. These products included glycerine, beryl ore, mica, vanadium, antimony, manganese, fluorspar, tin, beryllium oxide, hides and skins, and wool. The offer as to each of these products was substantially in identical form, being to acquire a specified amount of the product, the amount to be approximately the estimated exportable surplus in each instance, with a provision for an option to the Federal Loan Agency to acquire any amounts available for export in excess of the stipulated quantities. As to each product, the proposed agreement would require the Argentine Government to prohibit all exports except to the United States or other American republics having systems of export control paralleling that of the United States. The export to the United Kingdom was also made an exception in the case of hides and skins in view of the fact that hides and skins were listed in the Embassy's Memorandum of June 16 as being within the program of purchases of the United Kingdom.

Zinc and lead were treated as in a special category since the entire production is in the hands of a subsidiary of the St. Joseph Lead Company, an American corporation. Quebracho was also treated in a different manner. The telegram submitted two alternative suggestions. The first was to limit the Argentine and Paraguayan production to 164,000 tons for the year 1941, of which 20,000 tons would go to the United Kingdom; 109,000 tons to the United States; 10,000 tons to Argentina and other American republics; and 25,000 tons to the Japanese. The other alternative was that the Federal Loan Agency would agree to buy 129,000 tons of the exportable surplus of quebracho for two years as a part of an agreement which would provide for a complete export embargo of this product except to the United Kingdom, the United States, and the other American republics having export control systems parallel to that of the United States.

The telegram suggested that an attempt be made to reach an immediate solution as to tungsten. The telegram also included the details of the proposed program of purchases by the United Kingdom for the twelve months beginning September 3, 1941, pointed out that the British and American programs necessarily dovetailed, and suggested there be consultation with the British Ambassador at Buenos Aires with a view of presenting the two buying programs at the same time and developing such a course of action as might foster the conclusion of the agreement suggested in the telegram. It was also suggested

⁸⁶ Telegram No. 378, not printed; the memorandum printed here is a summary of the June 23 offer.

that the American Ambassador call attention once more to the deep interest of the United States in developing an international basis of cooperative action in the handling of the difficult surplus problems relating to cotton and wheat⁸⁷ and that it was hoped that it would be possible to arrive at a definite understanding as to the cooperative handling of these problems.

WASHINGTON, July 2, 1941.

811.20 Defense M/2777: Telegram

The Chargé in Argentina (Tuck) to the Secretary of State

BUENOS AIRES, July 25, 1941—5 p. m.

[Received 8:05 p. m.]

770. Reference Department's telegram No. 378, June 23, 11 p. m.⁸⁸ In the course of a conversation on July 22 between the Commercial Attaché of this Embassy⁸⁹ and Cutts⁹⁰ of the British Embassy it developed that the British have not yet acquainted the Argentine Government with their buying program.

I therefore called on the Brazilian [*British*] Ambassador⁹¹ yesterday to ascertain why his Embassy had not done so and to express my surprise that we had not been kept informed. I reminded him of our conversation early in July at which Hughes, Cutts, and Jerram (the British Commercial Attaché) were also present, at which it had been agreed that both Embassies should undertake not joint but concurrent discussions with the competent Argentine officials, who would also be informed that each Embassy had full knowledge of the other's purchase program and was working in complete mutual agreement.

Sir Esmond Ovey said that following that meeting it had been decided, and he had so recommended to his Government, that it would be inadvisable to put forward a British buying program as such to the Argentine Government based on Britain's minimum requirements, especially since the Argentine Government was well aware that the British would under any circumstances be obliged to spend between 30,000,000 to 40,000,000 pounds annually for their minimum requirements in Argentina. He therefore could not see what particular advantage could be derived from offering to this Government a definite buying program unless such a program was to be based on a "generous

⁸⁷ For correspondence concerning participation of the United States in the International Wheat Meeting at Washington, July 1941-April 1942, see vol. I, pp. 530 ff.

⁸⁸ Not printed.

⁸⁹ Thomas L. Hughes.

⁹⁰ E. Stanley Cutts, Attaché of the British Embassy in Argentina.

⁹¹ Sir Esmond Ovey.

scale" and was to be offered in conjunction with ours, for the purpose of making a complete purchase of all Argentine surplus products. Sir Esmond did not explain that his Embassy had failed to keep us informed of this proposed course of action.

I informed the British Ambassador that it had been brought to our attention recently that the Argentine Government had been reported as viewing the United States purchase program, as presented, with a certain degree of indifference and regarded it as being incomplete since it contained no mention of meat or wheat.

While I presume that the Department may have been advised by the British Embassy in Washington of these developments I feel that the failure of the British here to present a buying program concurrently with ours has probably resulted in delaying action by the Argentine Government and threatens seriously to jeopardize the chances of success of our efforts.

TUCK

811.20 Defense (M)/2777: Telegram

The Acting Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, July 26, 1941—7 p. m.

478. Reference your 770 of July 25. The subject of your telegram has been discussed with the British Embassy here who are telegraphing to London urging that instructions be given to restore the program for joint presentation of the buying programs.

WELLES

811.20 Defense (M) Argentina/19

The Ambassador in Argentina (Armour) to the Secretary of State

No. 3131

BUENOS AIRES, September 19, 1941.

[Received September 26.]

SIR: I have the honor to refer to the Embassy's telegram No. 941 of September 10, 1941, 9:00 a. m.⁹³ and transmit herewith copies of memorandum concerning the purchase program which was submitted to the Foreign Office on September 8 and also a copy of the memorandum which was submitted by the British Ambassador to the Foreign Office on September 3. It will be noted in the Embassy's memorandum that reference was made to the *aide-mémoire* transmitted to the Foreign Office on July 2, 1941, relating to the same subject, to which was attached a list of products which may be included

⁹³ Not printed.

in the proposed purchase program as contained in the Department's telegram No. 378 of June 23, 1941, 11:00 p. m.⁹⁴ The Embassy has not yet received any reply from the Foreign Office as regards the purchase program since transmitting the memorandum of September 8, nor has there been any reaction in authoritative circles that would indicate that the program is having serious consideration, other than Executive Decree No. 97,752, which was issued on August 21, 1941,⁹⁵ restricting the exports of certain minerals. In this connection, the Embassy has been somewhat chagrined to learn that since this decree became effective, including restrictions on the exportation of wolfram ore, it has been admitted that licenses have been granted for the shipment of more than 50 tons of wolfram ore to Japan.

Respectfully yours,

For the Ambassador:
THOMAS L. HUGHES
Commercial Attaché

[Enclosure 1]

The British Embassy in Argentina to the Argentine Foreign Office

MEMORANDUM

[BUENOS AIRES,] September 3, 1941.

1. With the hope of arriving at a favorable solution of the problems affecting international trade between Argentina, the United States and Great Britain, the U.S.G. and H.M.G. have together reviewed the two lists of purchases of Argentine products which the British Empire and the U.S. propose to make, or to guarantee, during the succeeding 12 months period.

2. These two lists are largely complementary and in total cover a wide range of Argentine products; they will guarantee to the Argentine the disposal of all, or at least the greater portion, of the exportable surplus of most of her principal products. Thus, while the offer already put forward by the U.S.G. will provide a guarantee of the disposal in the U.S. (in so far as the products in question are not bought by the British Empire or by Latin American countries) of quantities representing approximately the normal exportable surplus of wool, hides, minerals, quebracho and glycerine, H.M.G. are prepared to purchase, subject to agreement on prices and to the exigencies of shipping, by far the greater proportion of the production of meat and animal fats, together with substantial quantities of wheat, flake eggs, fertilizers, casein, etc. These British purchases,

⁹⁴ Not printed, but see footnote 86, p. 370.

⁹⁵ A Spanish text appears in *Anales de Legislación Argentina*, 1941, p. 318.

together with British Empire purchases of hides and quebracho, may be anticipated to involve a total sum of approximately 42 to 44 million pounds sterling.

3. In view of the wide range of this joint purchasing program, which will go far to minimize the inevitable dislocation of Argentine trade consequent on the war, H.M.G. takes this opportunity of expressing the anxiety, which they share with the U.S.G., to secure the conservation of the products in question and they therefore wish to lend their fullest support to the proposals already put forward by the U.S.G. that the export of these products from Argentina should be so controlled as to ensure that they shall not be directed to destinations outside the United States, the British Empire and other American Republics having a similar system of export control.

[Enclosure 2]

The American Embassy in Argentina to the Argentine Foreign Office

MEMORANDUM

With a view to offering a favorable solution of the problems affecting the foreign trade of Argentina as a result of the dislocation of markets caused by the exigencies of the international situation, the Embassy of the United States of America has the honor to submit a proposal for the purchase, or a guarantee of purchase, of certain Argentine products by the Government of the United States of America for a period of one year. The situation has been similarly reviewed by the British Government who also propose to submit to the Argentine Government a program of purchases covering a complementary list of products. These proposals of the two governments cover such a wide range of Argentine products that it is believed that if an agreement may be reached between the respective governments concerned, there is offered to Argentina a guarantee for the disposal of the greater portion of the exportable surplus of most of its principal products.

On July 2, 1941 an *aide-mémoire* was transmitted to the Foreign Office, stating that the Government of the United States, through the Federal Loan Agency, was prepared to acquire specified Argentine products under certain conditions, of which the most important is that the Argentine Government would restrict the exportation of such products to the British Commonwealth of Nations, the United States and other American republics having a similar system of export control.

By Executive Decree No. 97,752 of August 21, 1941 the Argentine Government specifically imposed restrictions on the export of certain

of the products set forth in the Embassy's *Aide-Mémoire* of July 2, 1941. It is hoped that conversations may be undertaken at an early date which may lead to the conclusion of an agreement between the governments concerned, putting into effect the complete program envisaged.

BUENOS AIRES, September 8, 1941.

[Enclosure 3]

The American Embassy in Argentina to the Argentine Foreign Office

PRODUCTS WHICH MAY BE PURCHASED BY THE UNITED STATES

Glycerin:

The United States Government, through the Federal Loan Agency, is interested in the purchase of the entire exportable surplus of Argentine glycerin for a period of one year at a price to be mutually agreed upon.

Minerals:

Beryl ore, mica, vanadium, antimony, manganese, fluorspar, and tin: The United States Government, through the Federal Loan Agency, is interested in effecting an arrangement for the purchase of all of these products in the same form of agreement as that proposed for glycerin.

Beryllium oxide:

The United States Government, through the Federal Loan Agency, is prepared to enter into negotiations for the purchase of the entire output of beryllium oxide in Argentina for a period of two years with the top limit of about 100 tons a year.

Hides and Skins:

The Agency is willing to undertake negotiations for the purchase of the entire exportable surplus of Argentine hides and skins of the higher qualities which shall not be acquired by private U. S. importers for the period of one year with the top limit of the Agency's obligations with respect to these products to be stated in the proposed agreement. It is understood that the average annual exportable surplus of hides and skins of Argentina for the years 1934-38 was 7,600,000 hides, or approximately 159,000 metric tons.

Wool:

The Agency has manifested an interest in the purchase of the entire exportable surplus of Argentine wool of suitable grades which shall not be acquired by private U. S. importers during 1941-42 season.

Quebracho:

The Agency proposes to enter into negotiations for the purchase of a quantity of quebracho extract approximating 15,000 tons above the 1941 purchases which are estimated to be about 94,000 tons.

Certain departments of the U. S. Government are making studies with regard to making purchases in Argentina of castor seed, borax, casein, and tallow, but at present no definite negotiations can be undertaken regarding these products.

The purchase by the U. S. Government of any or all of the products mentioned in the foregoing will be contingent upon restrictions to be imposed on the export of these products by the Argentine Government to any and all countries with the exception of the United States, Great Britain, and other Latin American Republics having parallel systems of export control.

835.5151/1347 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 9, 1941—1 p. m.

[Received 7:22 p. m.]

1101. The following is the text in translation of a memorandum dated October 7 received from the Minister for Foreign Affairs in reply to the Embassy's memorandum of September 8,⁹⁶ in regard to the over-all purchasing program.

"Confidential.

1. The Argentine Government received with the greatest interest the memorandum of September 8, last, in which the Embassy (of the United States) in coincidence with a similar memorandum from the British Embassy of September 9 [3^d] last, offers on behalf of its Government to purchase or to guarantee the purchase of certain Argentine products during the period of one year, and it (the Argentine Government) hopes to reach in a short time an agreement with the Government of the United States and the British Government which will permit it to carry out as soon as possible a full program of exports to those countries, in accordance with the suggestions contained in the notes of the United States and the United Kingdom.

⁹⁶ *Ante*, p. 374.

[Here follow paragraphs 2 to 6, inclusive, dealing with the problem of blocked pounds resulting from transactions between Argentina and countries in the sterling bloc.]

7. As regards the purchasing plan in itself, the Argentine Government takes note of the fact that, as a whole, the offers refer to minerals, glycerine, hides and skins, wool and quebracho, the exportable surplus of which would be purchased by the United States according to the terms of the memorandum of July 2, 1941, and the British Government would be disposed to purchase, subject to an arrangement of price and navigation requirements, the maximum proportion of the production of meats and animal fat, as well as considerable quantities of wheat, dried eggs, fertilizers, casein, et cetera, foreseeing that these purchases together with those of the British Empire of hides and quebracho, would amount to a total sum of from 42 to 44 millions of pounds sterling. This offer is subject to the commitment of the Argentine Government to limit the exportation of products to the nations of the United Kingdom, to the United States of America and to other American Republics which have established a system of export control.

8. The Argentine Government takes pleasure in expressing the satisfaction with which it views the purpose inspiring the offers presented, since these offers have been extended in the hope of arriving at a favorable solution of the problem affecting international trade between the Argentine Republic, and the United States of America, and the United Kingdom of Great Britain, and, prompted by the definite purpose of full collaboration towards the successful issue of the negotiation which is to start, it considers indispensable to submit to the Embassy of the United States and the British Embassy, certain points the importance of which is of exceptional nature in Argentine economy.

9. In the first place the Argentine Government wishes that the possibility be considered of extending the list of purchases proposed by the United States and Great Britain to include other products which, such as linseed, butter, canned meats, pork products, et cetera, can be sold and [to?] countries making the offers, and which are of extraordinary interest to the Argentine producers and Argentine economy.

10. The Argentine Government understands perfectly the security implied by the guarantee to purchase offered by the Government of the United States for hides and skins, wool and extract of quebracho but it takes the liberty to point out that this measure does not signify a substantial improvement with regard to the present situation. As a matter of fact the products mentioned have, for the moment—and

this situation will probably remain unchanged—a relatively easy and remunerative market.

11. As the plan refers to comprehensive operation and enjoining certain limitations to the possibilities of our exportation, the Argentine Government is forced to take into account the interests of other branches of Argentine agricultural and livestock production. Mention has already been made of the sacrifices which it has been necessary to make [to] maintain the activity of a wide portion of rural classes which form the most solid and stable nucleus of the social organization of the republic. It is quite aware of the almost unsurmountable difficulty which exists for taking into consideration the totality of Argentine agricultural products, but it also believes that it is possible to find solutions which will permit the maintenance of its (economic structure).

12. Another point which causes concern to the Argentine Government is the British proposal which subjects the scope of the plan to new requirements. The Argentine Government realizes the difficulty deriving from the problem but it considers that in order to meet the aims of this negotiation, goods could be purchased in accordance with commitments to be agreed upon, letting it be understood that if difficulties arise in navigation the goods will remain deposited pending the possibility of their transportation.

13. In conclusion the Argentine Government is disposed to establish a control of exports in the manner requested by the Governments of the United States and Great Britain, save for small quantities which are exported to countries which in turn supply Argentina with the goods necessary to maintain the equilibrium of Argentine economy, thus avoiding an undue raise in prices.

In short, the Argentine Government is disposed to study with the representatives of the Governments of the United States and of Great Britain all the problems set forth and it hopes that an understanding of the requirements of each one of the parties will permit the rapid conclusion of an agreement taking into account reciprocally the national interests involved.[”]

ARMOUR

811.20 Defense (M) Argentina/36: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 10, 1941—10 p. m.

[Received October 11—2: 10 a. m.]

1116. Reference is made to the Embassy's telegram 1101, October 9, 1 p. m., transmitting the text of the memorandum dated Octo-

ber 7, 1941, received from the Ministry of Foreign Affairs concerning over-all purchase proposal which the Embassy understands is identical with that handed to the British Embassy by the Argentine Government, the Department will observe that paragraphs 2 to 6 inclusive of the Argentine Government's reply to us have reference wholly to the British part of the program and are only of indirect concern to us. Following a discussion with the British Commercial Counselor, Mr. Jerram, and Mr. Cutts, Attaché of the British Embassy, we gained the impression that they do not regard the project of the blocked sterling question as being germane to their part of the purchase program. From their unofficial reaction it would appear probable that the British Embassy will recommend to its Government that the question of blocked sterling should be considered apart from their purchase program.

In so far as our Government is concerned we consider the reply of the Argentine Government as constituting a workable basis upon which to carry on negotiations of a more specific nature with a view to concluding an agreement for the purchase of exportable surplus of products under consideration.

There are two main points in the Argentine Government's reply which should be clarified before definite negotiations are undertaken.

The first concerns paragraph 9 which expresses the hope that the list of purchases proposed by the United States and Great Britain should be extended to include products such as linseed, butter, canned meat, pork products, etc., we consider, however, that only linseed has reference to proposal.

The second point one [on] which a clearer understanding must be reached is contained in paragraph 1 (b) [*paragraph 13*] which he states that the Argentine Government is disposed to establish a control of exports in the manner requested except for small quantities which are exported to countries which in turn supply Argentina with the goods necessary to maintain the equilibrium of Argentine economy. Williams of the Federal Loan Agency has requested from the competent officials the exact interpretation to be [put?] upon "these small quantities" and a clarification is expected shortly.

In view of the generally favorable nature of the Argentine reply, it is suggested that authority be granted to proceed immediately with the negotiations with a view to concluding an agreement for the purchase of the various products under consideration. It is furthermore suggested that such action be authorized irrespective of the progress of the British negotiations and with no [indication] whatsoever that the two proposals are combined in any manner beyond the recognized mutual interest of the United States and Great Britain.

I could not escape the impression during our informal conversation with the British that they are still adopting a somewhat defeatist attitude with regard to their purchase program which, in my opinion, may have been accentuated by the blocked sterling question being projected into the program.

Williams was informed today by a responsible Argentine official that the utmost urgency existed for an early conclusion of the purchase program, since the Argentine Government was being flooded by requests for export licenses of many of the commodities included in our program. This official added that such requests were being held in suspense but that the pressure was great.

ARMOUR

811.20 Defense (M) Argentina/37: Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, October 11, 1941—3 p. m.

[Received 7:15 p. m.]

1121. Reference is made to the Department's telegram No. 770, October 10, 6 p. m.⁹⁷ Williams again discussed with Torriani⁹⁸ and other members of the Interministerial Committee the Department's suggestion to eliminate from the proposed note the third paragraph relative to a commitment to supply the Argentine Republic with various materials and to make same part of the over-all agreement. They insisted they could not accept elimination of this paragraph as such elimination would not be in keeping with decree number 97752 and would leave the tungsten agreement open to attack in the courts by those interested in continuance of exports to Axis countries. This is the opinion of the Interministerial Committee as a whole which further expressed the view that failure to include this paragraph might result in eventual annulment of the proposed tungsten agreement.

We consider the wording "as far as possible" noncommittable and earnestly recommend that the Department authorize its inclusion in the proposed note. There is no need to stress the importance of concluding this agreement at the earliest possible date.

ARMOUR

⁹⁷ Not printed.

⁹⁸ Carlos L. Torriani, Director of Economic and Consular Affairs, Argentine Ministry for Foreign Affairs.

811.20 Defense (M) Argentina/37 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, October 18, 1941—5 p. m.

805. Reference your 1121 of October 11. The Department does not desire to regard the commitment which it proposes to take with respect to furnishing materials to Argentina as noncommittal or to rely upon the phrase "as far as possible" as in effect nullifying the obligations of this Government. On the contrary, the Department has made every effort in cases where overall agreements have been entered into with countries such as Brazil, Mexico, Bolivia, and Peru to make available to the greatest extent practicable commodities of this country even though they be in short supply at the time. In short, the commitment which this Government is ready to undertake in favor of countries who cooperate with the United States in making their strategic materials available to us is substantial and real.

The Department is willing and intends to make such a commitment as a part of the overall agreement and is willing to agree to do so at this time. The Department accordingly suggests as an alternative to Torriani's proposal that the tungsten contract contain an agreement on the part of this Government to enter into such a commitment as a part of the overall agreement. It is further suggested that there be substituted for the phrase "as far as possible" the phrase "to the greatest extent compatible with the national defense."

HULL

811.20 Defense (M) Argentina/47 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, November 15, 1941—8 p. m.

930. In view of recommendations in your 1230 of October 31¹ and Williams' letter to Bridgman² of October 24, the Federal Loan Agency is willing, if it is necessary to do so to obtain approval of the overall agreement, to offer to purchase 30 million bushels of flaxseed during the year 1942 on the following conditions. First, as to 20 million bushels, the Loan Agency will purchase such amount of such 20 million bushels as shall not be purchased by the private trade in this country, the underwriting price to be agreed upon by Defense Supplies Corporation and the Argentine Government and one-half of the 20 million bushels to be transported in Argentine vessels. Second, the

¹ Not printed.

² G. Temple Bridgman, vice president of the Metals Reserve Company.

balance of 10 million bushels will be purchased by Defense Supplies to the extent that it is not acquired by the private trade in this country, the price to be the same as that for the 20 million bushels and one-half of this 10 million bushels to be transported in Argentine ships, but as to this 10 million bushels, the agreement of Defense Supplies Corporation is conditioned on the obligation of the Argentine Government to provide storage facilities on a reasonable basis. Indications are that storage facilities for flaxseed in this country will be difficult if not impossible to obtain. If the Argentine Government finds itself unable to agree to furnish this storage space, you are requested to telegraph (a) what storage facilities there are in Argentina in terms of millions of bushels; (b) whether there are sufficient crushing facilities in Argentina to convert all or part of the 10 million bushels into linseed oil; and (c) whether it would be possible to store the oil so crushed or any part of it. The third condition of the Defense Supplies Corporation is that the Argentine Government in consideration of this underwriting agreement by Defense Supplies shall agree to prohibit during the year 1942 the export of flaxseed except to the United States and the British Empire (including, in cases where either have made purchases on behalf of a third party, such designations for direct shipments as they nominate); and also to the other American republics having systems of export control approved by the Government of the United States.

HULL

811.20 Defense (M) Argentina/80

The Ambassador in Argentina (Armour) to the Secretary of State

No. 3617

BUENOS AIRES, December 2, 1941.

[Received December 9.]

SIR: I have the honor to transmit herewith the memoranda Nos. 624 and 625 together with the Confidential Notes which were attached, that were transmitted to the Foreign Office under date of November 26, 1941, in connection with the proposals for purchasing the tungsten production of Argentina, and it is gratifying to be able to inform the Department that on the following day a reply was received from the Argentine Government accepting the terms set forth in the memoranda, and a statement was given to the press by the Argentine Officials describing in some detail the terms and purpose of the agreement which have been reached for the sale of Argentina's entire tungsten production to the United States.

Respectfully yours,

For the Ambassador:
THOMAS L. HUGHES
Commercial Attaché

[Enclosure 1]

*The Ambassador in Argentina (Armour) to the Argentine Minister
for Foreign Affairs (Ruiz Guiñazú)*

No. 624

BUENOS AIRES, November 26, 1941.

EXCELLENCY: With reference to and in agreement with previous communications exchanged between this Embassy and the Argentine Foreign Office, and in view of the fact that by Decree No. 97,752 of August 21, 1941, the Argentine Government established control over the exportation of certain minerals, I have the honor to inform Your Excellency that the Government of the United States, through the Metals Reserve Company of Washington, D.C., agrees to purchase during a period of three years beginning this date, the entire production of tungsten ores and concentrates of Argentina, with the exception of quantities exported to the United States through other channels. The purchase will be effected in accordance with the terms for purchase, delivery and payment made known to the Argentine Government in this Embassy's memorandum of June 18, 1941 and the proposal attached thereto,³ directly and/or through any Government Department which the Argentine Government may indicate, the Metals Reserve Company pledging itself to purchase all lots which may be offered to it through the Argentine Government.

I avail myself [etc.]

[File copy not signed]

[Enclosure 2]

*The Ambassador in Argentina (Armour) to the Argentine Minister
for Foreign Affairs (Ruiz Guiñazú)*

BUENOS AIRES, November 26, 1941.

YOUR EXCELLENCY: In connection with the proposed tungsten purchases, as specified in this Embassy's note No. 624 of November 26, 1941, and acting on instructions of my Government, I have the honor to state, for Your Excellency's confidential information, that any improvement that the Metals Reserve Company may make in the prices or in the terms stipulated for the purchase of tungsten minerals of other origins in any other long term general agreement with another country, shall be immediately extended to tungsten ores and/or concentrates proceeding from and originating in the Argentine Republic.⁴

I take this opportunity [etc.]

[File copy not signed]

³ See footnote 84, p. 365.

⁴ By note of September 25, 1942, the Ambassador informed the Argentine Foreign Minister that the price was being increased (811.20 Defense (M) Argentina/343).

[Enclosure 3]

*The Ambassador in Argentina (Armour) to the Argentine Minister
for Foreign Affairs (Ruiz Guiñazú)*

No. 625

BUENOS AIRES, November 26, 1941.

EXCELLENCY: I take pleasure in stating that I am instructed to advise you that the Metals Reserve Company hereby exercises the option included in the proposal attached to this Embassy's memorandum of June 18, 1941, for the purchase, during the three-year period and under the terms of the proposal, of all tungsten ores or concentrates produced in Argentina in excess of the quantities stipulated in the proposal mentioned up to a total of 3,000 tons of ores or concentrates per year.

I take this opportunity [etc.]

[File copy not signed]

[Enclosure 4]

*The Ambassador in Argentina (Armour) to the Argentine Minister
for Foreign Affairs (Ruiz Guiñazú)*

BUENOS AIRES, November 26, 1941.

EXCELLENCY: Although I am not authorized to make a further commitment at present, I can assure you that it is the intention of the Metals Reserve Company to exercise additional options on Argentine tungsten production in excess of the 3,000 tons of ore or concentrates per year covered by this exercise of option.

I take this opportunity [etc.]

[File copy not signed]

811.20 Defense (M) Argentina/85

*Memorandum by the Acting Chief of the Division of Defense
Materials (Finletter)^{4a}*

[WASHINGTON,] December 5, 1941.

Negotiations have been under way in Buenos Aires since June of this year for the acquisition by the Federal Loan Agency of a long list of strategic materials from Argentina. The chief purpose of the agreement is to obtain for the United States additional supplies of the important strategic materials produced in Argentina. It will also have the result of affording to Argentina a stabilized market for many of her products during this period of disturbed international commerce.

^{4a} Addressed to Herbert Feis, Adviser on International Economic Affairs, the Secretary of State, and the Under Secretary of State.

The agreement for the purchase of the exportable surplus of Argentine tungsten has just been signed.⁵ The negotiations with respect to the other materials are still incomplete, but the latest report received is encouraging. The Loan Agency has requested its representative in Buenos Aires, Mr. Thomas J. Williams, to come to Washington for a discussion of the many details of price and method that remain to be settled. It is also reported that this is one of the subjects Irigoyen⁶ plans to review with us.

The tungsten agreement is in the form of an underwriting—that is, the Metals Reserve Company has agreed to buy for a period of three years at \$21 per unit, up to a maximum of 3,000 tons of concentrates each year, such amount of the exportable surplus of Argentina tungsten as shall not be bought by the private trade in the United States.

It will probably be found most expedient that most of the remaining minerals—fluorspar, manganese ore, antimony ore, vanadium ore, tin and silver ore, beryl ore and mica—will be bought during the contract period by Metals Reserve Company, which will resell to private users or place in stock pile. There will obviously have to be an agreement on price. The Argentine Government will establish an export control which will prohibit the export of these minerals except to the Metals Reserve Company in the United States, the British Empire, the other American republics having systems of export control approved by the Government of the United States and other purchasers which may be designated by the United States or the United Kingdom. The quantities of metal in question are small.

Zinc and lead concentrates are a special case. The entire exportable surplus of these materials in Argentina is owned by a subsidiary of the St. Joseph Lead Company, a United States corporation, and the Metals Reserve Company will enter into a contract with this subsidiary for the acquisition of its entire exportable surplus. The standard export control provision will apply to these materials.

Beryllium oxide is also in a special category. This commodity, in contrast to the other minerals, will be purchased for a period of two years. It is all produced by one company. This commodity will be purchased directly by Metals Reserve Company and the standard export control provision will obtain.

The form of the wool agreement is a simple underwriting. The offer of Defense Supplies Corporation is to purchase specified amounts of various grades of wool, less amounts exported to private purchasers in the United States and to the other permissible destinations.

⁵ See despatch No. 3617, December 2, from the Ambassador in Argentina, and its enclosures, *supra*.

⁶ Alonzo Irigoyen, Argentine Under Secretary of Finance.

Export control will prohibit the shipment of wool except to the United States and to the other permissible destinations.

Linseed. Linseed differs from the other commodities in that the amount to be purchased by the United States private importers and Defense Supplies Corporation is less than the total exportable surplus of Argentine linseed. The offer in this case is that Defense Supplies Corporation (with the approval of the Department of Agriculture) will purchase 30 million bushels during the calendar year 1942 less the amount of sales made through commercial channels to United States purchasers. The Argentine exportable surplus of linseed is more than twice the amount to be so guaranteed by Defense Supplies Corporation.

Quebracho. Quebracho is another special case. The potential production of quebracho in Argentina is large. It has been held to a fixed limit through the operation of a pool, operated by the Forestal Company, an English company. Unlike the commodities discussed above, the British desire a substantial amount (20,000 tons) of this material. The plan accordingly is that the Argentine Government will restrict the export of quebracho to a total of 115,000 tons in each year and this amount will be allocated through Argentine Government action as follows: (a) to the other American republics, 10,000 tons; (b) to the United Kingdom, 20,000 tons; and (c) to Defense Supplies Corporation, 85,000 tons. There will be no purchases by the private purchasers in the United States since such purchases would be inconsistent with the fixed limit on production. The Argentine export control will restrict exports in accordance with the above figures.

Cotton linters. The Argentine purchase of cotton linters is part of a program which includes Brazil and Mexico. Defense Supplies Corporation has received a recommendation from the Office of Production Management and the Department of Agriculture that it acquire 250,000 bales of cotton linters, less some amount to be agreed upon to be shipped from Brazil directly to the United Kingdom. The total amounts recommended are 200,000 bales from Brazil, 25,000 bales from Mexico, and 25,000 bales from Argentina, being approximately the entire exportable surpluses of the respective countries. The purchase is being made in all three instances by the Defense Supplies Corporation in accordance with the recommendation of the Office of Production Management and the Department of Agriculture. Export control in Argentina will provide that exports may be made only to Defense Supplies Corporation and to the other American republics having parallel systems of export control.

Casein. Casein is unique in that it is desired to divide the supply available between the United Kingdom and the United States. The

British are accordingly proposing to the Argentine Government to purchase a specified amount of the two grades of casein and Defense Supplies Corporation will acquire the balance. Export control will limit exports to the United Kingdom and to Defense Supplies Corporation in the United States. If there is any demand, exports will also be allowed to the other American republics having parallel systems of export control.

Glycerine. The form of this offer is that Defense Supplies Corporation shall acquire the entire exportable surplus of Argentina. The present limit suggested is 10 million pounds. The glycerine so acquired will be kept in Government stockpile to the extent possible and to the extent required by the domestic trade will be allocated by Office of Production Management orders. The Argentine export control will prohibit the export of glycerine except to the Defense Supplies Corporation, the other American republics having parallel systems of export control, and the United Kingdom.

Hides. Hides present a difficult case. The Argentine exportable surplus of high grade hides is substantially less than the combined United States and British demand. The Office of Production Management has been working for some time with representatives of the British Leather Control for the purpose of determining how these high grade hides shall be divided. These discussions are currently continuing. The method which will be adopted will depend upon the result of these conversations. The Office of Production Management has formally recommended to the Federal Loan Agency by a letter from Mr. Knudsen⁷ that the supply of hides needed for the United States be acquired by Defense Supplies Corporation.

THOMAS K. FINLETTER

RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES
AND ARGENTINA, SIGNED OCTOBER 14, 1941⁸

611.3531/1611b : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, January 8, 1941—7 p. m.

10. Strictly confidential for the Ambassador only. Your 621 December 19, 11 a. m.⁹ The President doubts the advisability at this time of announcing trade-agreement negotiations with Argentina, since such announcement might arouse political opposition in Congress at a time when it is urgently and vitally necessary to obtain speedy and

⁷ William S. Knudsen, Director General of the Office of Production Management.

⁸ For previous correspondence, see *Foreign Relations*, 1939, vol. v, pp. 227 ff.

⁹ Not printed.

favorable action by the Congress with respect to aid to Great Britain. The President has stated, however, that if a satisfactory basis can be found trade-agreement negotiations with Argentina may be announced after appropriate aid to Britain legislation has been passed by the Congress. This may take from 3 to 4 weeks.

You are requested to see personally the Ministers for Foreign Affairs¹⁰ and Finance¹¹ at the earliest practicable opportunity and explain the situation confidentially to them, adding that on the basis of the confidential and informal talks thus far held with Prebisch¹² the Department is hopeful that the negotiations can be announced soon after the aid to Britain legislation has been passed.¹³

In the Department's view it would have a most unfortunate effect on Argentine public opinion if Prebisch should return to Buenos Aires prior to announcement of intention to negotiate a trade agreement. His return under such circumstances might be interpreted as a partial failure of his mission. Moreover, the Department believes that Prebisch is a key official in the matter of obtaining a trade agreement with Argentina and probably would be most effective in getting speedy acceptance by the Argentine Government of a satisfactory basis for negotiations. Accordingly, you are also requested to ask Drs. Roca and Piñedo on my behalf to have appropriate instructions issued to Prebisch to remain in Washington so that all questions which might result in failure of negotiations can be settled before announcement.

The interim period could be used to good advantage in discussing the proposed trade agreement, provided there were no leak that such discussions were taking place. If a leak should occur, the Department would be obliged to issue a statement to the effect that negotiations with Argentina are not in progress. You will appreciate that complete secrecy is essential.

Please telegraph Roca's and Piñedo's reactions.

HULL

611.3531/1612 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, January 10, 1941—3 p. m.

[Received January 10—2:34 p. m.]

20. Reference Department's telegram No. 10, January 8, 7 p. m., strictly confidential for myself only. I have seen the Ministers for

¹⁰ Julio A. Roca.

¹¹ Federico Piñedo.

¹² Raúl Prebisch, manager of the Central Bank of Argentina.

¹³ Lend-Lease Act passed March 11, 1941; 55 Stat. 31.

Foreign Affairs and Finance and they both agree as to the advisability of Prebisch remaining on in Washington for the reasons stated by the Department. I understand that instructions to Prebisch in this sense will be sent shortly.

I stressed the need for absolute secrecy regarding any discussions that may take place prior to action by Congress on aid to Britain legislation. They both assured me that they understand the situation and would see that there would be no leak here.

ARMOUR

611.3531/1614 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, January 22, 1941—11 a. m.

[Received January 22—10:35 a. m.]

61. Department's telegram No. 10, January 8, 7 p. m. The Minister for Foreign Affairs informed me last evening that owing to the resignation of Dr. Piñedo, the president of the Central Bank, Dr. Bosch had telegraphed instructions to Dr. Prebisch permitting him to delay his return in accordance with the suggestions made by our Government and agreed to by Dr. Piñedo and himself. Dr. Roca added that he was telegraphing the Argentine Ambassador explaining the situation and I understand instructing him to cooperate fully in any discussions that may take place.

ARMOUR

611.3531/1616a : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)

WASHINGTON, January 27, 1941—7 p. m.

33. In our preliminary confidential discussions with Prebisch regarding bases for a trade agreement, it has appeared that Argentina is disposed to grant Spain a substantial credit which would enable Spain, if the British Government were agreeable, to purchase Argentine foodstuffs. In this connection reference has been made to press reports that the British Government has agreed to permit Spain to buy Argentine corn, payment to be made in blocked sterling in London, and also that Argentina has under consideration a direct credit to Spain.

Prebisch has stated that he has no official information regarding the matter, but has long advocated a large credit to Spain on the

grounds that it is preferable to put Argentina's surplus foodstuffs to work, though doing so would involve great risk of nonpayment, than to have them rot in Argentine storage.

It would be appreciated if you would endeavor to ascertain from the British Embassy and the Argentine Government or other sources whether such credit negotiations are in progress and if so what amounts of foodstuffs are involved and what method of payment is contemplated.

The matter is of interest to the Department for various reasons including the question of the effects of blocked sterling and barter deals on Argentina's ability to give us nondiscriminatory treatment in exchange and quantitative restrictions on imports.

HULL

611.3531/1617 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, January 31, 1941—7 p. m.

[Received 8:27 p. m.]

95. With reference to the Department's confidential telegram No. 33, January 27, 7 p. m., in view of the Cabinet crisis here and resignations of Ministers of Foreign Affairs and Finance, it is difficult to secure information from responsible officials with regard to the Government's policies on a question of this importance. However, in a talk which the Commercial Attaché¹⁵ has had with high officials of the Central Bank, they stated with regard to the possible sale to Spain of Argentine corn and other foodstuffs that conversations are now being held to that end but no conclusions have been reached. He [*They?*] explained that on other occasions cotton and wheat have been sold to Spain in minor quantities and payment had been effected at least on one occasion by the cancellation of bonds held by the Spanish Government. In another case service on foreign obligations owed by Argentina were cancelled in the Spanish Treasury.

When questioned as to the rumor of payment for corn sent to Spain being made in blocked sterling, he [*they?*] immediately replied that he [*they?*] had no indication of such a plan and that Argentina would hardly be interested in receiving more blocked sterling as she already had too much.

The same officials added that the matter of blocked sterling was one which they felt Argentina could not solve alone and that eventually it must be solved through a triangular arrangement in which the United States was directly or indirectly involved.

¹⁵ Thomas L. Hughes.

I have not yet been able to approach the British Embassy in this matter—the Ambassador is away—but expect to do so in the next few days and will telegraph any information secured.

ARMOUR

611.3531/1628

Memorandum by the Chief of the Division of Commercial Treaties and Agreements (Hawkins)

[WASHINGTON,] February 6, 1941.

I explained to the Secretary yesterday that we had reached agreement with Dr. Prebisch on the general provisions, final minutes, exchanges of notes and proposals with respect to the schedules; that I had agreed to seek Secretary Hull's approval of these documents as a basis for trade-agreement negotiations with Argentina in the event that it should be decided to undertake such negotiations; and that Dr. Prebisch had agreed to recommend them to his Government. I explained to the Secretary further, that if he indicated his approval by initialing the attached covering memorandum,¹⁶ I would then initial the original and give it to Dr. Prebisch together with the enclosures and ask him to initial our blue copy of it, advising Dr. Prebisch orally that the Secretary had approved the basis.

I pointed out to the Secretary that if he approved the basis as outlined in these documents we would be bound by these proposals if it should be decided to undertake the negotiations, subject, of course, to the President's approval, to agreement with the Argentines on proposals which they later will make regarding their Schedule I¹⁷ concessions to us, and to the qualification that any of our proposed tariff concessions could be altered if new facts or considerations submitted in written briefs or in the public hearings should so require. I said, however, that in view of the extensive hearings held a year ago and the numerous times these concessions have been discussed, it is unlikely that any new facts or considerations will be presented.

After a brief discussion of several points, the Secretary, who had been given these documents for study several days ago, indicated his approval of the proposed basis and initialed the memorandum.

Today I handed Dr. Prebisch the originals of the attached documents after initialing the covering memorandum and obtaining his initials on the attached blue copy. In doing so, I advised him that the Secretary had approved the recommendations embodied in these documents.

¹⁶ Not printed.

¹⁷ Schedule of rates of duties on articles grown, produced, or manufactured in the United States imported into Argentina; not printed.

I referred to the fact that we have not yet reached an understanding on the basis for Argentina's concessions in Schedule I of the agreement, and suggested that the proposals now under discussion be considered by the Argentine Government and that the latter Government make definite proposals to us with respect to the Schedule. We would then consider them and submit them for approval. Our proposals regarding the rest of the agreement are, of course, contingent on a satisfactory basis being worked out for Schedule I.

I also emphasized to Dr. Prebisch the necessity of keeping these matters completely confidential; that if there should be premature publicity causing political repercussions here and adversely affecting other important issues, it might be necessary to make denials which would render it difficult to proceed with the negotiations. Dr. Prebisch said that he recognized fully the need for, and importance of, secrecy, and that he did not intend to submit the proposals to the Argentine Government for study until he received word from us that this would be all right; that he would meanwhile confine the studies of these documents to officials of the Central Bank where there would be no danger whatever of leakage.

Dr. Prebisch then referred to his conversation with Mr. Wheeler¹⁸ at the Department of Agriculture this morning regarding flaxseed, which he said was very discouraging to him in that it did not appear that the Department of Agriculture has materially changed its policy in the direction of discouraging flaxseed production, and particularly because of the estimate of an official of the Department of Agriculture that imports are not on the average likely to exceed 10,000,000 bushels. He said that in view of Department of Agriculture's policies and the discouraging outlook for imports of Argentine flaxseed, he felt compelled to make less favorable recommendations respecting Argentine concessions in Schedule I than he had previously intended. For this reason, he was not prepared to recommend the proposals for Schedule I which had been drawn up. Nevertheless, I gave him copies of these proposals, marking them "tentative", and suggested that on his return to Buenos Aires he draw up a firm offer on Schedule I and submit it to us for consideration. I reminded him, however, that all of our proposals regarding other parts of the agreement are conditioned upon a satisfactory Schedule I and urged him to keep the foregoing in mind in formulating the proposals on this Schedule. I said further that if the proposals submitted by the Argentine Government were materially less favorable than those we had discussed, I did not think they could be accepted.

¹⁸ Leslie A. Wheeler, Director of the Office of Foreign Agricultural Relations.

With respect to the subject of regional preferences, I said that the Secretary, having approved our proposals, is sending a note to this effect to the Argentine Ambassador in reply to the Ambassador's note on this subject. I asked, however, that care be taken to avoid any publicity on this subject until it comes up in the Inter-American Committee, and that when the matter does become public an effort be made to dispel the idea that this involves the abandonment or any material impairment of the policy of either country with respect to the most-favored-nation principle. I said that press reports of the discussion of this subject at the Montevideo Conference indicated the need of taking steps to avoid such misinterpretation. Dr. Prebisch said that he would make every effort to see that this matter is not misconstrued in the manner indicated.

HARRY C. HAWKINS

[Annex 1]

Draft General Provisions

[Aside from a few slight verbal changes the articles of this draft were the same as the final text signed October 14, 1941, Department of State Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685, with the following exceptions:

Article IV, paragraph 3: The following sentence in the draft does not appear in the final agreement: "If the Government of either country avails itself of the rights reserved under this paragraph, it shall inform the government of the other country in writing."

Article VI, paragraph 2: The phrase in the first sentence of the final agreement "prior to the date of publication" reads in the draft: "prior to the expiration of thirty days after the date of publication."

Article VII, paragraph 1: The following final sentence in the draft does not appear in the final agreement: "Furthermore, the said articles shall not be assessed for customs purposes at valuations higher than those specified in the said Schedule."

Article XIII: In the draft the following phrase appears at the end of the first sentence: "on the day of the signature of this Agreement."

Article XV, paragraph 2: At the end of this paragraph there was a footnote reading as follows: "The Government of the United States may wish to propose the following additional clause: '(d) should that country be engaged in hostilities or war.'"

Article XVI. This article in the draft contained three paragraphs instead of two as in the final agreement. Paragraph 1 was omitted

and the other paragraphs were renumbered in the final draft. Paragraph 1 reads:

“Greater than nominal penalties will not be imposed in the United States of America or in the Argentine Republic upon importations of articles the growth, produce or manufacture of the other country because of errors in documentation obviously clerical in origin or where good faith can be established.”]

[Annex 2]

Final Minutes

With a view to recording the understanding which the Delegations of the United States of America and the Argentine Republic reached with respect to certain provisions of the Trade Agreement signed today, the Minutes of the Final Meeting of the two Delegations have been drawn up as follows:

1. It was agreed that if the Government of either country finds it necessary to invoke the provisions of the second paragraph of Article XI or of the first paragraph of Article XII, it will in practice, prior to taking such action, afford the other Government adequate opportunity for consultation in regard to the proposed measure through the medium of the Commission provided for in the second paragraph of Article XII.

2. With reference to the Exchange of Notes relating to preferences to the areas covered by the existing payments arrangement between Argentina and the United Kingdom and to contiguous countries, respectively, it was agreed that the Government of either country, prior to according any such preference, would in practice afford the Government of the other country adequate opportunity for consultation through the medium of the said Commission.

3. With reference to Article III, paragraph 2, it was of course understood that no obstacles of any kind would be placed in the way of imports of any product of interest to the other country unless it should be decided (subject to the provisions of Article XI) to announce publicly the imposition of a global quota and the allotments, if any, among the various supplying countries; moreover, it was agreed that once any global quota established by either country or the share therein allotted to the other country has been publicly announced as effective for a stated period, it will not ordinarily be reduced during that period.

4. It was agreed that, while the texts of these minutes would not be published as such, there would be no objection to making the substance of them generally public.

[Annex 3]

Memorandum by Mr. Vernon L. Phelps, of the Division of Commercial Treaties and Agreements

[WASHINGTON,] February 4, 1941.

During the exploratory conversations just concluded between the representatives of the Argentine Government and of the Government of the United States with a view to finding a basis for undertaking the negotiation of a trade agreement it was agreed, in the event that it should be decided to proceed with such negotiations, (1) that prior to announcement of trade-agreement negotiations the Argentine Government would provide the Government of the United States a complete list of the preferences which it would accord to the United Kingdom and to contiguous countries, as envisaged in the exchanges of notes relating to such preferences, during an initial period of not less than three months following the coming into force of the agreement; and (2) that any modification of the said list of preferences applicable to any subsequent period would be made effective only after adequate opportunity on the part of the Government of the United States for consultation relative thereto through the medium of the mixed commission as provided for in Article XII of the draft general provisions and in the Final Minutes.

[Annex 4]

Draft Proposal for Sliding Scale of Tariff Reductions

It is understood that Argentina would undertake to grant the tariff reductions, generally on a sliding scale basis, and the bindings of present rates of duty, indicated in the attached tentative Schedule I.¹⁹

The sliding scale basis would be established as follows:²⁰

A. First Stage

The first reductions in Argentine import duties shall become effective immediately upon the entry into force of the agreement and may apply to any or all of the tariff items enumerated in the attached tentative Schedule I that may be selected by the United States during the negotiations; provided that the loss in Argentine customs revenues resulting from the reductions effected in the first stage shall not exceed approximately 2,000,000 paper pesos as calculated from a previously agreed upon estimate of Argentine customs revenues for the year 1941.

It is agreed that any reduction in import duty made by Argentina

¹⁹ Not printed.

²⁰ The Department later agreed to an Argentine suggestion that the three stages here mentioned be reduced to two. This agreement appears as Note I to Schedule I in the final text.

pursuant to the foregoing formula shall remain in force despite any eventual reduction in total customs revenues.

B. Second Stage

The second-stage reductions in Argentine import duties shall become effective when total Argentine customs revenues reach 271,000,000 paper pesos. These reductions shall apply to all tariff items enumerated in the attached tentative Schedule I, other than those upon which rates of duty may have been bound and those on which the full reductions requested have become effective in the first stage, and the extent of such reductions shall be not less than one half of the percentual reductions indicated in the first column of the attached tentative Schedule I.

As indicated in the final paragraph describing the first stage, any reduction made by Argentina in the second stage shall remain in force despite any eventual reduction in total customs revenues.

C. Third Stage

The third-stage reductions in Argentine import duties shall become effective when total Argentine customs revenues reach 300,000,000 paper pesos. These reductions shall be not less than the reductions indicated in the first column of the attached tentative Schedule I plus the reductions indicated in the second column of that schedule.

As indicated in the discussion of the first and second stages, any reduction made by Argentina in the third stage shall remain in force despite any eventual reduction in total customs revenues.

It was understood also that sympathetic and objective consideration would be given to the requests for modifications of the descriptions of articles indicated in tentative Schedule I of January 15, 1941; to the notes included in the said schedule; and to the requests for duty reductions or adjustments in tariff classification, as the case may be, in respect of those articles listed in Part B of the attached tentative Schedule I.

It was further understood that any preference in regard to sulphur would be confined to Chilean sulphur and that the United States would be given a quota on sulphur amounting to not less than 10% of the total importations during the period of hostilities between the United Kingdom and Germany.

With reference to machines and spare parts (weighing less than 100 net kilograms) and automobile parts and accessories, it was agreed that duty reductions would be granted on those machines, parts and accessories which are not now produced in Argentina at all or are not being produced there on a sound economic basis, or on those subject to unreasonably high duties. In the case of other machines, parts and

accessories, there would be no objection to binding existing rates of duty.

[Annex 5]

Exchange of Notes Under Consideration During Previous Negotiations

EXCELLENCY: I have the honor to refer to conversations which have taken place, in connection with the trade agreement signed this day, regarding the desirability of consultation between the two Governments with regard to certain matters.

It is my understanding that each Government, whenever practicable, will consult with the Government of the other country with respect to such measures as export subsidies, governmentally fixed prices, and other forms of compensation on sales, which may have the effect of artificially determining prices or which, by interfering with the free play of supply and demand, may tend to prejudice the interests of the other country.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration,

[Other annexes, not printed, included drafts for Argentine notes. These notes, slightly revised, appear in the final agreement, Department of State Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685. Also attached were draft schedules I, II, and III, not printed. The final texts of the schedules also appear in Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685.]

611.3531/1626 : Telegram

The Ambassador in Argentina (Armour) to the Secretary of State

BUENOS AIRES, February 7, 1941—11 a. m.

[Received 11:15 a. m.]

111. Department's telegram No. 33, January 27, 7 p. m. and Embassy's telegram 95, January 31, 7 p. m. In a conversation with the Commercial Counselor of the British Embassy ²¹ yesterday regarding report that the British Government has agreed to permit Spain to buy Argentine corn, payment to be made in blocked sterling in London, the former official stated that as far as the British Embassy here is aware no consideration has been given to such a proposal. The British

²¹ Cecil B. Jerram.

Commercial Counselor stated, however, that the British Government had agreed to deliver to Spain 50,000 tons of wheat from their stocks purchased in Argentina. Although he did not explain the manner in which this transaction is being consummated, it seems reasonable to assume that the purchase of wheat by the British Government from which this quantity is to be taken merely increased the amount of blocked sterling in London to the credit of the Argentine Government, and that in effect the shipment of the 50,000 tons of wheat to Spain is paid with blocked sterling.

The British Commercial Counselor seemed to feel that this transaction may have been the basis for the press reports.

ARMOUR

611.3531/1643

The Secretary of State to President Roosevelt

WASHINGTON, March 14, 1941.

MY DEAR MR. PRESIDENT: As you know, we have sought over a period of years to bring about improved relations with Argentina, a matter which is of course of particular importance at this critical time. A fundamental requirement in achieving this end is improvement in our trade relations with that country.

When Dr. Prebisch, Manager of the Argentine Central Bank, was here to arrange for loans to Argentina, he took the occasion to explore with us again the possibilities of concluding a trade agreement. Argentina's present interest in improved trade opportunities arises not only in connection with the problem of servicing and repaying the loans, and of avoiding the impairment of Argentina's high credit standing, but, even more importantly, that interest has of course been accentuated by the extremely difficult trade problems which have grown out of the war in Europe and the closing of continental markets to Argentine products.

Although the question of an Argentine trade agreement has in the past provoked considerable controversy of a political sort, the negotiation of an agreement which would ease Argentina's position, and at the same time be beneficial to ourselves, would not, it is believed, require granting of concessions which could not be defended. On our part, it would include the more important concessions indicated in the attached schedules²² which were discussed with Dr. Prebisch on the occasion of his visit here. In discussing these concessions with him we of course made it clear that we could make no definite commitments until after considering information and views submitted

²² Not printed.

in briefs or in public hearings after formal announcement of intended negotiations. The concessions indicated are recommended by the interdepartmental Trade Agreements Committee on the basis of exhaustive studies made over a long period of time and in the light of the current situation. On Argentina's side, the agreement would provide substantial benefits for American trade, particularly with the return of more normal times.

I believe that the present time is particularly opportune for finally disposing of this long-standing and difficult matter. Under present conditions, domestic producers are enjoying greatly augmented protection owing to Argentina's increased shipping costs and other difficulties of exporting to this country. Furthermore, there is growing realization by the people of this country that good trade relations with the other American Republics, notably Argentina, are essential to effective hemisphere cooperation.

Therefore, if you approve,²³ I shall advise the Argentine Government that, if a basis for a trade agreement can be completed within a reasonable time, we would be prepared to issue the usual public notice of intention to negotiate the agreement and thereafter to conclude the negotiations as rapidly as possible.

Faithfully yours,

CORDELL HULL

611.3531/1694

*Memorandum of Conversation, by the Under Secretary of State
(Welles)*

[WASHINGTON,] May 14, 1941.

Participants: Argentine Minister for Foreign Affairs, Dr. Enrique Ruiz-Guiñazú; Argentine Ambassador, Señor Don Felipe A. Espil; the Under Secretary, Mr. Welles.

The Argentine Minister for Foreign Affairs, accompanied by the Argentine Ambassador, called upon me this morning.

After the usual interchange of compliments—in this case somewhat prolonged—the Minister said that he had been greatly pleased with the publication of the announcement of the hearings for a trade agreement between our two countries.²⁴

I said that in my judgment this was of historical importance since, as the Minister well knew, it was almost ninety years since a commercial treaty had been negotiated between the two countries, and I felt that in this sense it matched in importance the visit made to

²³ The original bears the following notation "CH OK FDR".

²⁴ The Secretary of State issued formal notice of intention to negotiate a trade agreement with Argentina on May 13, 1941; see Department of State *Bulletin*, May 17, 1941, p. 576.

Washington by the Minister since it was the first visit paid to this country by an Argentine Minister for Foreign Affairs. I said I hoped and believed that these two events of such great significance marked the commencement of a new and ever-increasingly close relationship between our two countries which I felt confident was in the best interest of our two peoples. I said I was equally sure that the Minister in his new office would be of the greatest service in furthering that desirable objective. To this the Minister heartily replied in the affirmative.

I touched briefly upon the Tierra del Fuego sanitary issue²⁵ and I said that the matter was now being given the most careful consideration by the interested departments of this Government and that I trusted that a decision—which I hoped would be favorable—might be had before the Minister's departure.

I also explained to the Minister and to the Ambassador the reasons for the exclusion of South American bids by the OPM²⁶ from the bids requested for quantities of corned beef hash for national defense purposes. I said that Argentine meat was not excluded but that tinned Argentine beef would be purchased, and it was only because we desired to utilize our own potatoes in the manufacture of the corned beef hash to be made up that tinned corned beef hash was going to be purchased solely from United States bidders.

[The remainder of this memorandum is concerned with the boundary dispute between Ecuador and Peru (see pages 212 ff.) and with a conversation the Argentine Minister for Foreign Affairs had some months earlier with Pope Pius XII.]

S[UMNER] W[ELLES]

[There is considerable correspondence in the files of the Department relating to further negotiations for a trade agreement with Argentina. These negotiations, however, for the most part dealt with details, principally as to the schedules of concessions.]

611.3531/1954

Minutes of the Final Meeting of the United States-Argentine Trade-Agreement Delegations, Signed October 14, 1941

With a view to recording the understanding which the Delegations of the United States of America and the Argentine Republic reached with respect to certain provisions of the Trade Agreement signed

²⁵ This issue concerned the embargo on meat entering the United States from Argentina because of animal disease in a particular area of the country; see unperfected sanitary convention between the United States and Argentina, signed May 24, 1935, *Foreign Relations*, 1935, vol. iv, p. 296; see also *ibid.*, 1940, vol. v, pp. 508 ff.

²⁶ Office of Production Management.

today, the Minutes of the Final Meeting of the two Delegations have been drawn up as follows:

1. It was agreed that if the Government of either country finds it necessary to invoke the provisions of the second paragraph of Article XI or of the first paragraph of Article XII, it will in practice, prior to taking such action, afford the other Government adequate opportunity for consultation in regard to the proposed measure through the medium of the Commission provided for in the second paragraph of Article XII.

2. It was agreed that if the Government of the United States finds it necessary to invoke the provisions of the third paragraph of Article VIII, it will, prior to taking such action, afford the Government of Argentina adequate opportunity for consultation in regard thereto through the medium of the said Commission.

3. With reference to the exchange of notes relating to preferences to areas covered by the existing payments agreement between Argentina and the United Kingdom and to contiguous countries, respectively, it was agreed that the Government of either country, prior to according any such preference, with respect to any product of interest to the other country, would in practice afford the Government of the other country adequate opportunity for consultation through the medium of the said Commission.

4. With reference to Article III, paragraph 2, it was of course understood that no obstacles of any kind would be placed in the way of imports of any product of interest to the other country unless it should be decided (subject to the provisions of Article XI) to announce publicly the imposition of a global quota and the allotments, if any, among the various supplying countries; moreover, it was agreed that once any global quota established by either country or the share therein allotted to the other country has been publicly announced as effective for a stated period, it will not ordinarily be reduced during that period.

5. It was agreed that, while the texts of these minutes would not be published as such, there would be no objection to making the substance of them generally public.

Done in duplicate, in the English and Spanish languages, both authentic, at the City of Buenos Aires, this fourteenth day of October of the year nineteen hundred forty one.

[For final text of the reciprocal trade agreement between the United States and Argentina, signed at Buenos Aires on October 14, 1941, together with exchange of notes, see Department of State Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685. For a detailed analysis of the treaty, see Department of State *Bulletin*, October 18, 1941, Supplement, pages 3 ff.]

**AGREEMENT BETWEEN THE UNITED STATES AND ARGENTINA RE-
NEWING THE AGREEMENT OF JUNE 29, 1940, RESPECTING MILITARY
AVIATION INSTRUCTORS**

[For text of agreement effected by exchange of notes signed May 23 and June 3, 1941, see Department of State Executive Agreement Series No. 211, or 55 Stat. (pt. 2) 1284.]

BOLIVIA

ELIMINATION OF GERMAN INFLUENCE IN BOLIVIAN COMMERCIAL AIRLINES

824.796/77 : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, January 9, 1941—10 p. m.

4. Your 456, November 5.¹ Please report whether in your opinion Bolivian Government would be agreeable to a plan whereby in return for elimination of German influence and management in Lloyd Aéreo Boliviano this Government would undertake to make equipment available either to this company or to a qualified American air carrier which would obtain a management contract. If an American air carrier is permitted to replace the German management and influence in L.A.B.,² this Government would be prepared also to arrange with such carrier for such extension of services as may be necessary and for the training of Bolivian flight and ground personnel.

HULL

824.796/78 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, January 10, 1941—5 p. m.

[Received 8:55 p. m.]

5. Department's telegram No. 4, January 9, 10 p. m. While I have not discussed this matter directly with Bolivian officials it is my impression that they would welcome plan outlined which dovetails closely with plans and aspirations of committees set up by the Bolivian Government to study aviation situation as reported in my despatch 553 of December 31.¹ If the Department will authorize me I believe it would serve a useful purpose for me to approach Bolivian officials and get a more concrete statement of their wishes without of course intimating that we would necessarily be prepared to further them.

Bolivian Government owns 48% of L.A.B. stock and with shares by Government-owned Banco Central has 52% control and since could presumably effect any desired reorganization.

¹ Not printed.

² Lloyd Aéreo Boliviano.

I have just been informed that Lufthansa³ has made offer to Government for reorganization of L.A.B. including delivery of four new planes, but do not believe this will be seriously considered.

Gustavo Vidal, vice president and comptroller of Pan American Grace Airways, is now in La Paz studying possibility of taking over L.A.B. lines. Would appreciate being advised whether Panagra or any other company is being definitely considered in connection with plan outlined by Department.

JENKINS

824.796/83a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, February 18, 1941—8 p. m.

13. On February 14 officials of the Department and Messrs. Roig,⁴ Harris⁵ and Vidal, of Pan American Grace Airways, discussed the possible participation by Panagra in the operation of air transport services within Bolivia.

The company is disposed to send a representative (probably Vidal) to Bolivia for the purpose of working out an acceptable plan with Bolivian officials for replacing L.A.B. You should, of course, render all appropriate assistance in the discussions with the Bolivian authorities.

Please ascertain whether the Bolivian Government is agreeable, in principle, to the working out of a plan for the reorganization of L.A.B. or its replacement by a new company so that German influence and management would be eliminated. Every effort would be made, of course, to make the new service better than the existing service and in addition to rendering technical assistance an opportunity would be afforded for the training of Bolivian pilots and ground personnel.

For your information, Panagra's representatives are disposed to favor a plan which would call for the replacement of L.A.B. by a new Bolivian company with which Panagra would cooperate by rendering technical assistance, training of pilots, ground personnel, etc. Panagra officials are of the opinion that the trunk line service between La Paz and the Brazilian border could better be operated as an extension of the through Panagra international system.

A copy of memorandum of the conference with Panagra representatives is being sent you by air mail.

HULL

³ The Lufthansa was the principal agency of German Civil Air Communication.

⁴ H. J. Roig, president of Pan American-Grace Airways.

⁵ H. R. Harris, vice president of Pan American-Grace Airways.

824.796/84 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, February 24, 1941—3 p. m.

[Received 8 : 11 p. m.]

18. Department's No. 13, February 18, 8 p. m. Memorandum asking whether Bolivian Government would agree in principle to consider plan for reorganization of L.A.B. was presented to Minister for Foreign Affairs ⁶ on February 20. He expressed personal agreement and said he would take matter up at Cabinet meeting and give me definite reply. He did not mention proposed approach to the Department by the Bolivian Minister in Washington ⁷ for assistance in reorganization of L.A.B. stated by Minister of Finance ⁸ to have been decided upon as reported in my despatch 648, February 13.⁹ Carnival holidays and departure of Minister of Foreign Affairs from La Paz will probably delay answer for some time. Will report further after return of Minister for Foreign Affairs.

JENKINS

824.796/89

The Minister in Bolivia (Jenkins) to the Secretary of State

[Extracts]

No. 684

LA PAZ, March 6, 1941.

[Received March 11.]

SIR: I have the honor to refer to previous correspondence concerning the possibility of reorganization or replacement of Lloyd Aéreo Boliviano, the Bolivian domestic aviation company, particularly my despatch No. 682 of March 3, 1941, and my telegram No. 19 of March 5, 3 p. m.¹⁰

In view of the continually postponed return to La Paz of Dr. Alberto Ostría Gutiérrez, Minister of Foreign Affairs, and the desirability of ascertaining definitely what action had been taken by the Bolivian Cabinet on the *aide-mémoire* in regard to consideration of a plan for reorganization of L. A. B., left with the Minister of Foreign Affairs on February 20 in accordance with the Department's telegram No. 12 [13] of February 18, 8 p. m., I directed an officer of the Legation to discuss the question yesterday morning with Mr. Joaquín Espada, Minister of Finance, the Cabinet officer who has taken most direct interest in the question of dispensing with German influence in L. A. B.

⁶ Alberto Ostría Gutiérrez.⁷ Luis Fernando Guachalla.⁸ Joaquín Espada.⁹ Not printed.¹⁰ Neither printed.

Mr. Espada stated that the *aide-mémoire* had been submitted to the Cabinet meeting on February 21, 1941, and that the Cabinet had agreed in principle to the working out of a plan for the reorganization of L. A. B. or its replacement by a new company with the elimination of German influence and management and to welcome the sending of a representative of Pan American-Grace Airways to try to work out an acceptable plan with the appropriate Bolivian officials. Mr. Espada said that the sense of the Cabinet meeting was that the Minister of Foreign Affairs should so inform the Legation. While the officer of the Legation was in Mr. Espada's office, the latter telephoned to the Under Secretary of Foreign Affairs to enquire whether the Minister of Foreign Affairs had not given him instructions in this sense. The Under Secretary replied that he had seen his Minister for only a few minutes between the Cabinet meeting and his departure and that the matter had not been mentioned. The Minister of Finance then stated to the officer of the Legation that he thought his own statement that the Cabinet had agreed in principle to the Department's proposal could be taken as an informal answer pending the return of the Minister of Foreign Affairs.

Mr. Espada went on to say that the President was, of course, fully informed of the program . . . He said that there was general agreement in the Cabinet that German influence would have to be eliminated from L. A. B. and that the only questions were as to the proper time to do so and the exact method of procedure. He stated that General Carlos Blanco Galindo, the Minister of Defense, had suggested that action be delayed until after the report of the committee appointed by his Ministry to investigate L. A. B. and the investigation by the Comptroller General¹¹ of L. A. B. finances had been completed in order to have full ammunition to utilize against the present L. A. B. organization and that this was agreed to. Mr. Espada added that the Comptroller General had gone to Cochabamba, the headquarters of L. A. B., to try to obtain data.

Mr. Espada then remarked that he thought it essential for a representative of Pan American-Grace Airways, preferably Mr. Vidal since he had dealt with the matter before and was fully conversant with it, to come to La Paz promptly. . . .

Mr. Espada went at some length into the question of what form reorganization of L. A. B. services should take in his opinion. He said that the so-called international service of L. A. B., from La Paz to the Brazilian border should be turned over to Pan American-Grace Airways to run direct as part of its lines and that he hoped for an adequate United States Government subsidy for this line so that it could be properly run.

¹¹ José Alcides Molina.

On the question of the rest of the services of L. A. B., Mr. Espada said that there would have to be complete reorganization. He remarked that the equipment of the company was completely obsolete and that three modern planes would be necessary for adequate service. He said that he hoped it would be possible to obtain these through the good offices of the United States Government and mentioned a loan. He added that it was the intention to continue the present subsidy to L. A. B. which, he thought, would be sufficient for the operation of the domestic lines on a proper basis but not to make the lump sum capital investment involved in securing three new planes.

Mr. Espada then stated that the Deutsche Lufthansa had offered three planes but had made conditions whereby new stock in L. A. B. would be issued to it for their value. This would result in complete German control over the company which was exactly what he and the Bolivian Government in general wished to avoid.

Mr. Espada terminated by saying that all of these problems required careful consideration with someone qualified to present concrete proposals on behalf of Pan American-Grace Airways with the backing of the United States Government in order that a definite program might be worked out and that for these reasons he thought that Mr. Vidal's prompt arrival in La Paz was most desirable. He remarked that the actual mechanics of reorganizing or replacing L. A. B. could be worked out after a plan for operation had been decided upon.

As I have stated in previous despatches, it seems to me that the essential thing is for the Department and Pan American-Grace Airways to come to a decision as to what can be done and then be prepared to push the matter through to a conclusion. . . . I consequently feel that a decision in Washington as to what can be offered to the Bolivian Government and the return of Mr. Vidal in the near future to work on such a program as may be agreed upon are advisable.

Respectfully yours,

DOUGLAS JENKINS

824.796/98 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, March 26, 1941—4 p. m.

[Received 9:02 p. m.]

38. Department's 21, March 21, 6 p. m.¹² L. A. B. stockholders meeting has been postponed until April 24.

In a preliminary consideration of aviation question last night by Minister of Finance and Vidal and Campbell¹³ of Panagra it was

¹² Not printed.

¹³ Douglas Campbell, vice president of Pan American-Grace Airways.

agreed informally that following points might be used as basis of discussion for plans of reorganization :

1. Securing of full voting rights for Government owned stock and issuance of additional stock to be purchased by Government in order to reduce minority interests and ensure Bolivian Government control; purchase of new stock might be financed by Panagra with this stock as collateral.

2. Extension of present Panagra contracts to give operating rights, express and local, over La Paz-Corumba run, equipment used to be two DC-3-A's, and option on La Paz-Porto Velho route.

3. Operation of other domestic routes by L.A.B. with present Bolivian Government subsidy and loan from Panagra or other American source to purchase needed flying equipment including one or two additional DC-3-A's and to extend ground facilities, and so forth, equipment serving as collateral.

4. L.A.B. to be managed either by American technical man chosen by Panagra or by Panagra itself through management contract. Minister preferred former but seemed willing to consider latter which appears preferable to Vidal and Campbell and the Legation.

5. Guarantee of continted operations both international and domestic for a prescribed period, say 5 years.

It should be emphasized that this was merely a preliminary informal conversation with no commitments of any kind and that when something more detailed is tentatively agreed upon it will have to be submitted to Cabinet as a whole.

Vidal and Campbell are cabling their principals in New York who will undoubtedly consult the Department.

An expression of the Department's views on this rough program would be of material assistance.¹⁴

JENKINS

824.796/104 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, March 31, 1941—4 p. m.

[Received 7:35 p. m.]

42. Department's 26, March 31, 11 a. m.¹⁵ Vidal and Campbell this morning orally presented to President¹⁶ and Cabinet plan along the lines outlined in my No. 38, March 26, 4 p. m. with following changes suggested by New York head office :

(1) Purchase by Bolivian Government of all LAB stock at a fair price to eliminate completely any German stock ownership.

¹⁴ This plan, with some modifications proposed by the Pan American-Grace Company officials, was satisfactory to the Department.

¹⁵ Not printed.

¹⁶ Enrique Peñaranda del Castillo.

(2) Panagra to supply funds for purchase by LAB of equipment and for ground facilities, part [of] latter [to be paid] for in LAB stock and part to be [paid for by a] loan secured by equipment as collateral and amortized over a period of years, instead of all to be loan as originally suggested. Pan American-Grace-owned stock to be voted by Bolivian citizens.

(3) LAB to enter into management contract with Pan American-Grace.

At the end of meeting President said that plan was acceptable in principle and asked for submission of detailed plan in writing, negotiations appear to be progressing satisfactorily. Major obstacle which may arise is question of stock ownership by Panagra. It envisages stock control while Government will probably want to retain majority itself.

If disagreement on stock control develops it might be possible to solve it by (1) having Panagra give Government option to buy stock after period of years, or (2) Panagra's making straight loan taking stock as collateral and voting it until loan is amortized.

Advisable that plan be presented as soon as possible. Vidal is asking for prompt instructions from New York. Request advice as to whether changes meet with Department's approval and any comments on stock control question.

JENKINS

824.796/118: Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, May 6, 1941—8 p. m.

[Received 9:10 p. m.]

Manager of the Grace Line has just telephoned that Minister of Hacienda¹⁷ informed him decree was issued this afternoon nationalizing LAB, and Government will take charge of the property, tomorrow morning. Decree was signed by the President and all Ministers.¹⁸ This action was taken without prior knowledge of the Legation and others concerned. Will telegraph details tomorrow.

Grace manager states that he is telegraphing Vidal who is now in Lima to return immediately.

JENKINS

¹⁷ Joaquín Espada.

¹⁸ The decree was promulgated May 14; the Spanish text appears in República de Bolivia, *Anuario Administrativo de 1941*, vol. 2, p. 1395.

824.796/132 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, May 27, 1941—3 p. m.

[Received 6:10 p. m.]

101. Referring to my No. 90 of May 16, 10 a. m.²² LAB stockholders meeting was held late yesterday afternoon, Minister of Finance presiding, and Government took over management of company this morning with Federico Cocha acting manager. German minority representing approximately 5,000 shares offered certain objections which were overruled by Minister of Finance, who declared majority of stockholders favorable to reorganization. Minister of Finance also stated stock would be paid for at fair price to be determined when financial status of company is finally ascertained. . . .

Government decree authorizing Panagra to operate to Corumba has been signed by President and Minister of Finance and will probably be published today. Operating contract between Government and Panagra for other LAB services is now being drafted.²³ Hardin²⁴ expected to arrive tomorrow in Grummon²⁵ from Lima.

JENKINS

824.796/175 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, August 2, 1941—11 a. m.

[Received 1:29 p. m.]

191. Referring to my telegram No. 188, August 1, 4 p.m.²² Cabinet last night unanimously approved and the President and Ministers concerned signed decrees authorizing Panagra's management contract, new LAB charter by-laws, postal contract and operations contract. Also issued a decree redistributing shares in accordance with Rocha's²⁶ report outlined in my despatch No. 942 of July 14.²² Minister of Finance is issuing orders to reorganizing commission to buy in German shares immediately at 500 bolivianos, using cash on hand.

²² Not printed.

²³ The loan agreement providing for the reorganization of L.A.B. was approved by a supreme resolution of the Bolivian Congress on June 19, 1941 (824.796/147). Spanish text of the resolution appears in *Anuario Administrativo de 1941*, vol. 2, p. 1662.

²⁴ Thomas Hardin, member of the commission to reorganize the Lloyd Aéreo Boliviano.

²⁵ A type of amphibian airplane.

²⁶ Federico Rocha, member of a commission to administer L.A.B.

Documents are now being prepared on official paper and it is hoped that all will be signed on Monday,²⁷ at which time the loan agreement may presumably be considered in effect.

JENKINS

824.796/207: Telegram

The Chargé in Bolivia (Dawson) to the Secretary of State

LA PAZ, November 29, 1941—1 p. m.

[Received 4:48 p. m.]

346. Legation's despatch No. 1167, October 8.²⁸ Despite my efforts and those of Manager of W. R. Grace and Company, President and Minister of Defense²⁹ are insisting on placing control over civil and commercial aviation in Ministry of Defense by decree instead of Ministry of Communications.

Understand that Manager of W. R. Grace and Company and Calloway³⁰ in charge of Lloyd Aéreo Boliviano reorganization have recommended to Harris, Vice President of Panagra, by telephone that military control should be tacitly accepted without further opposition and that Harris indicated general agreement.

Respectfully suggest that the Department consult Federal Loan Agency and Panagra and inform Legation whether it desires any formal representations to be made on ground that failure to place civil and commercial aviation under Ministry of Communications might be construed as a unilateral violation of agreement between Federal Loan Agency and Bolivian Government for reorganization of Lloyd Aéreo Boliviano.

I doubt whether such representations would be effective and am inclined to think we should make no comment at this time. If military control proves unsatisfactory the matter can always be taken up on the practical basis of actual points of difficulty.

DAWSON

824.796/207: Telegram

The Secretary of State to the Chargé in Bolivia (Dawson)

WASHINGTON, December 9, 1941—1 a. m.

252. Your 346, November 29, and despatch 1167, October 8.³¹ Department, Panagra and the Defense Supplies Corporation have no

²⁷ August 4.

²⁸ Not printed.

²⁹ Gen. José Miguel Candia.

³⁰ L. C. Calloway.

³¹ Latter not printed.

objection to the transfer of control of civil and commercial aviation from the Ministry of Communications to the Ministry of Defense, provided it is clearly understood with the Foreign Office that the obligation entered into by the Ministry of Communications with the Defense Supplies Corporation will be assumed by the Ministry of Defense.

HULL

AGREEMENT BETWEEN THE UNITED STATES AND BOLIVIA FOR A
MILITARY AVIATION MISSION, SIGNED SEPTEMBER 4, 1941; TERMI-
NATION OF ITALIAN MILITARY MISSION IN BOLIVIA

824.248/180

The Bolivian Minister (Guachalla) to the Secretary of State

[Translation]

WASHINGTON, January 2, 1941.

EXCELLENCY: Wishing to define more closely the sense of the note which, under date of December 14,³³ I had the honor to send to Your Excellency, requesting, in behalf of my Government, the sending to Bolivia of a military mission of aviation instructors, I am pleased to refer to the notes exchanged between the Minister of Foreign Affairs of Bolivia and the Minister of the United States at La Paz, on October 30 and 8 respectively,³⁴ in the part in which the said notes have reference to the matter which concerns me.

In paragraph 3 of his note, Mr. Jenkins³⁵ was pleased to request the expression of opinion of my Government as to "the incompatibility of the presence of non-American military missions with the perfect realization of continental solidarity." In my Government's opinion, a merely affirmative reply was not proper, since it would have implied the immediate cancellation of the contract of the only non-

³³ Not printed.

³⁴ Neither printed; these notes resulted from conversations between the Chief of Staff of the Bolivian Army and the representative of the General Staff of the United States Army. Five points of agreement were indicated in the October 8 note from Minister Jenkins to the Minister for Foreign Affairs, Dr. Alberto Ostría Gutiérrez, as follows: (1) to combat the influence of subversive groups Bolivia agreed to increase the supervision of non-American elements; (2) to exchange information with the United States on defense matters and subversive activities; (3) to consider the presence of non-American military missions as incompatible with continental solidarity; (4) to facilitate the entry into action of United States forces in case they go to the aid of Bolivia by guarding routes of entry, maintaining order, and making facilities available; and (5) to continue bilateral conversations on defense. In his reply of October 30 Ostría Gutiérrez expressed a willingness to rescind the contract of the Italian military mission provided the United States would detail a mission of aviation officers, and agreement in principle to facilitating American Army forces. (810.20 Defense/345 1/4)

³⁵ Douglas Jenkins, the American Minister in Bolivia.

American military mission in Bolivia without any provision to compensate for the damage.³⁶

Hence, the Minister of Foreign Affairs, in reply, made the following explanation: "There is in Bolivia one military mission of Italian origin. It renders its services, which are exclusively for military instruction, in the Escuela de Armas of the city of Cochabamba. According to its contract, it is to remain in Bolivia for a period of seven more years. In spite of the simply pedagogical character of this mission, the Government of Bolivia is willing to cancel its contract; but in such case it would wish the Army of the United States of America to detail a mission of aviation officers to replace the Italian mission and to come equipped with the respective machines for instruction. The Government of Bolivia considers that in this way real technical cooperation on the part of the United States of America would be effected."

On this plane of real cooperation to which the Minister of Foreign Affairs of Bolivia refers, I have the honor to request of Your Excellency that you will kindly recommend to the War Department careful consideration of the present representation and obtain its opinion respecting the technical and economic collaboration which it can give in this circumstance.

On this occasion I am very happy to renew to Your Excellency [etc.]

LUIS [FERNANDO] GUACHALLA

824.248/130

The Secretary of State to the Bolivian Minister (Guachalla)

WASHINGTON, January 16, 1941.

SIR: I have the honor to acknowledge the receipt of your notes of December 14, 1940³⁷ and January 2, 1941 in which you convey to me the request of your Government for a military mission consisting of aviation instructors and such additional personnel as may be necessary for the purpose of sending appropriate assistance to the Bolivian military authorities in strengthening the air forces of the Bolivian Army.

In your communication of January 2, you invite my attention to the existence of an Italian Military Mission in Bolivia, and to the request expressed by the United States Minister at La Paz for an opinion of your Government in regard to the incompatibility of the presence of

³⁶ In a conversation of December 28, 1940, with Mr. Orme Wilson, State Department Liaison Officer, the Bolivian Minister indicated that since his country would have the expense of indemnifying the Italian Mission for the cancellation of its contract, the United States should bear the expense of the American Mission (824.248/131½).

³⁷ Not printed.

non-American military missions, with the realization of continental solidarity. I have duly noted your statement that your Government is willing to cancel the existing contract with the Italian Military Mission, but that in return it desires the United States War Department to send to Bolivia a mission of aviation officers equipped with the necessary airplanes for purposes of instruction. Your Government considers that this would constitute a genuine technical cooperation of the United States with Bolivia and, in this connection, you request me to obtain from the War Department its views respecting the technical and economic collaboration which might be rendered to your Government.

I am pleased to advise you that this Department has not failed to transmit to the War Department the desire of your Government to obtain an aviation mission. That Department has, as you are aware, directed Major Weddington to proceed to La Paz in order to study the technical aspects of the proposed mission. This Department will also be glad to invite the attention of the War Department to the question of economic collaboration indicated above, and will communicate to you such views as the competent military authorities may desire to express on these subjects.

For the Secretary of State:
SUMNER WELLES

824.248/132

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 689

LA PAZ, March 8, 1941.
[Received March 17.]

SIR: I have the honor to report that two additional members of the Italian military mission to Bolivia have recently arrived in the country and taken up duties as instructors in the Military Academy at La Paz. These officers are a Colonel Matteoti, a General Staff officer, until recently head of the Italian military mission in Ecuador, and Lieutenant Colonel Pietro Antonio, a Field Artilleryman, also a member of that mission. The Legation understands that the contract of the mission in Ecuador was canceled by the Ecuadoran Government several months ago at the instance of the Department.

It will be recalled that in connection with the staff conversations which took place in Bolivia in September and October 1940, a note dated October 8, 1940,³⁸ was presented to the Bolivian Foreign Office by the Legation inquiring whether the Bolivian Government was disposed to agree to five points, including:

³⁸ Not printed.

"3. Bolivia recognizes the incompatibility of the presence of non-American military missions with the realization of perfect continental solidarity".

It will also be recalled that the Foreign Office's reply, dated October 30, 1940,³⁹ answered this point as follows, in translation :

"3. There is in Bolivia only one military mission, of Italian origin. Its services are devoted exclusively to military instruction in the War College in the city of Cochabamba. According to its contract it should remain in Bolivia for seven years more. Despite the purely pedagogical character of this mission, the Government of Bolivia is prepared to rescind its contract; but in such case it would desire the Army of the United States of America to detail a mission of aviation officers to replace the Italian mission and which would come provided with the necessary training planes. The Government of Bolivia considers that a true technical cooperation on the part of the United States of America would thus be carried out."

The addition of two new members of the Italian military mission to the eleven who were previously on duty in Bolivia, particularly in view of the fact that the two new ones were members of a mission whose contract with another American Republic was canceled, would hardly seem compatible with the Bolivian Government's expressed willingness to dispense with the services of those already in Bolivia last October. This seems especially true at a time when the Bolivian Government is negotiating for an American Army air mission.

The Military Attaché of the Legation two days ago inquired of General Felipe Rivera, Superintendent of the Military Academy, concerning the status of Col. Matteoti and Lt. Col. Antonio. Gen. Rivera who was the Bolivian Army's senior representative in the recent trip to the United States of Latin American Chiefs of Staff and others at the invitation of General George C. Marshall, Chief of Staff of the United States Army, and who has been among the Bolivian Army officers most friendly to the United States, stated that he had been glad to secure the services of the two Italian officers as they were competent and spoke good Spanish while he was short of qualified instructors and had been unsuccessful in getting the General Staff to assign qualified Bolivian officers to his teaching corps. Gen. Rivera added that the two Italian officers could be considered replacements rather than additions since two Italians who had originally been intended for assignment to the Military Academy at the time of the appointment of the original Italian mission had died before proceeding to Bolivia.

Just what subjects two officers of field rank who have been performing duties incumbent on their grades could appropriately teach

³⁹ Not printed.

in a Military Academy which produces second lieutenants and is roughly equivalent, although of course inferior, to West Point is not clear to the Legation. The other members of the Italian military mission are instructors in the War College at Cochabamba which is the nearest Bolivian counterpart to the Command and Staff School at Fort Leavenworth and the Army War College at Washington.

The Bolivian Army's action in taking on two additional Italian instructors in contravention of at least the spirit of commitments the Bolivian Government has expressed itself as ready to make seems another indication that such commitments for military cooperation may be of little value . . .

It is assumed that the State and War Departments will wish to make certain that the services of the Italian military mission are dispensed with before entering into any contract for the supplying of a United States Army air mission since this is understood to be the general policy in such cases and since it appears that the War Department considers the presence of totalitarian military missions in Latin America a menace to continental defense regardless of whether American missions substitute for them or not. Opposition to canceling the Italian contract may arise in Bolivian Army circles because of the fact that it is apparently only contemplated that we will send two Air Corps officers and there are thirteen Italians now here on duty . . . As mentioned in previous correspondence, there is a further flaw in the matter in that the Bolivian reply to our question as to the utilization of non-American military missions in the sense that the Bolivian Government is ready to rescind the Italian mission's contract seems to be conditional on the supplying not only of an air mission by the United States but also of training planes; it is understood from a letter received by me from Major General Frank M. Andrews that the recommendations of Major Harry Weddington, sent by the War Department to Bolivia to investigate Bolivian needs as regards an air mission, and approved by Gen. Andrews, called for one bi-motored plane for the mission with training for a small cadre of Bolivian officers to be carried out in the United States.

It occurs to me that the Department may wish me to make some form of representation to the Bolivian Government in regard to the hiring of two additional Italian military instructors, particularly in view of the circumstances. Should this be the case, I should appreciate appropriate instructions.

Respectfully yours,

DOUGLAS JENKINS

824.248/130

The Secretary of State to the Bolivian Minister (Guachalla)

WASHINGTON, April 5, 1941.

SIR: I have the honor to make further reference to your notes of December 14, 1940⁴⁰ and January 2, 1941, conveying the request of your Government for a United States military aviation mission, and to inform you that my Government is prepared to furnish such a mission.

I have been informed that the War Department has now two officers and two noncommissioned officers available for this mission, which would be provided with one bimotored plane. It is the understanding of the War Department that it is agreeable to your Government that these two officers be commissioned in the Bolivian Army one grade higher than their present rank and that the noncommissioned officers be commissioned as second lieutenants, all four to receive the same pay and allowances as officers of the Bolivian Army of the same rank. It is the understanding of the War Department that in addition to the aforementioned amount these officers will receive as flying pay eighty percent of the base pay they receive from Bolivia. It would be appreciated if you could confirm this understanding.

Upon receiving word from you that the above arrangement is acceptable to your Government I shall be pleased to forward to you without delay a draft agreement similar to the standard form of agreement which this Government has adopted to cover all United States military or naval missions in the other American republics.

In view of the reference in your note of January 2, 1941 to the cancelation of the contract covering the Italian Military Mission at present in Bolivia I assume that this contract will be canceled before the arrival of a United States military aviation mission. I would appreciate confirmation of this.

Accept [etc.]

For the Secretary of State:

SUMNER WELLES

824.248/1501

*The Bolivian Minister for Foreign Affairs (Ostria Gutiérrez) to the American Minister in Bolivia (Jenkins)*⁴¹

[Translation]

No. P. y D. 334

LA PAZ, May 19, 1941.

MR. MINISTER: With reference to the valued confidential note No. 128 of your Legation, dated the 7th of April,⁴⁰ I have the honor to

⁴⁰ Not printed.⁴¹ Copy transmitted to the Department by the Minister in Bolivia in his despatch No. 840, May 21; received May 28.

inform Your Excellency that the conditions proposed by the most excellent American Government for sending a Military Aviation Mission to Bolivia, have been accepted by the Ministry of Defense.

In order that Your Excellency may be more completely informed, I am attaching hereto copies of the communications exchanged in this connection between this Office and the Ministry referred to.

In accordance with the request of the Legation in your worthy charge, I am also attaching a schedule of the salaries received by the chiefs, officers, and enlisted men of our Army.

In expressing to Your Excellency my profound pleasure at this understanding, which makes the signing of the respective contract feasible, I take pleasure in reiterating to Your Excellency the assurances of my highest and most distinguished consideration.

A[LBERTO] OSTRIA GUTIÉRREZ

[Enclosure—Translation]

The Bolivian Minister of National Defense (Blanco Galindo) to the Bolivian Minister for Foreign Affairs (Ostria Gutiérrez)

No. 2/4/125

LA PAZ, May 16, 1941.

MR. MINISTER: With reference to your kind communication No. P. y D. 234 of April 15,⁴² elaborating on the contents of my confidential note No. 2/2/122, dated the 5th instant, I take pleasure in informing you that this Office accepts points Nos. 1, 2, 3 and 4, as proposed in the note under reference.

With regard to point 5, I must inform your Office that in accordance with the clauses of the corresponding contract, the Italian Mission will conclude its functions at the expiration of the Military scholastic year, that is to say, this coming October.

In accordance with the request contained in the last paragraph of your note under reference, I take pleasure in sending you herewith the schedule of compensation of the chiefs, officers, and enlisted men of our Army.⁴²

I take this opportunity, Mr. Minister, to reiterate the assurances of my highest and most distinguished consideration.

C[ARLOS] BLANCO GALINDO

[For text of agreement between the United States and Bolivia providing for a military aviation mission from the United States to Bolivia, signed and effective September 4, 1941, see Department of State Executive Agreement Series No. 219, or 55 Stat. (pt. 2) 1338.]

⁴²Not printed.

824.248/154

The Chargé in Bolivia (Dawson) to the Secretary of State

No. 1206

LA PAZ, October 17, 1941.

[Received October 30.]

SIR: I have the honor to refer to previous correspondence, particularly the Legation's despatch No. 840 of May 21, 1941,⁴³ in regard to the sending of a United States Army air mission to Bolivia and the elimination of the Italian military mission now in the country as a condition thereto. It will be recalled that, in a communication dated May 16, 1941,⁴⁴ the Bolivian Minister of Defense informed the Minister of Foreign Affairs that the Italian mission would conclude its functions at the expiration of the military scholastic year, in October 1941 (a copy and translation of this document were transmitted as enclosures Nos. 2 and 5 to the despatch under reference).

In view of this commitment and the fact that the period specified for the termination of the services of the Italian mission is at hand, I have made discreet inquiries to ascertain what steps are being taken to get rid of the mission. So far as I have been able to discover, nothing has been done in regard to the matter. In the course of a conversation this afternoon on other matters with the Minister of Defense, General Miguel Candia, I brought the question up but he evaded a direct answer, saying merely that he had communicated with the Bolivian Minister in Washington, Mr. Luis F. Guachalla, on the subject.

A deputy, Mr. Jacinto Rodríguez, who at the outbreak of the European War requested the cancellation of the contract of the Italian military mission, presented a "petición de informe" yesterday asking the Minister of Defense what reasons there might be for the failure to cancel the contract especially in view of the fact that Italy is at war and of the sizable expenditure by the Bolivian Government under the terms of the contract. Under the parliamentary rules in vogue in Bolivia, the Minister of Defense will have to make a written reply to the "petición de informe" and this reply may clarify the matter.

Even if steps are taken to rescind the Italian contract, the members of the mission are likely to be a problem in the future. While the contract has been running, they have devoted themselves moderately well to their tasks without engaging in any great amount of propaganda. However, once they are idle and without the incentive of their pay from the Bolivian Government to keep them more or less in line, they may become a menace unless some steps can be taken to send them back to Italy or at least get them out of Bolivia.

⁴³ See footnote 41, p. 417.

⁴⁴ *Ante*, p 418.

The Italian Military Attaché in Buenos Aires, Lt. Colonel Alberto L. Osti, who is also assigned to the Italian Legation in La Paz, has been here for the past two weeks. His presence may have something to do with General Candia's apparent desire to have the stay of the Italian military mission prolonged. Colonel Osti has succeeded in making a large circle of acquaintances among Bolivian army officers in the short time he has been here. General Candia gave him a large party yesterday which appears a little strange in view of the General's supposed democratic sympathies. No comparable festivities have been given for military attachés of neutral countries by recent Ministers of Defence.

It would be helpful if the Legation could be advised concerning any recent conversations which the Bolivian Minister in Washington may have had with officers of the Department regarding the termination of the services of the Italian military mission to Bolivia. Similarly, instructions would be appreciated as to what representations, if any, the Department desires the Legation to make should no steps have been taken for the cancellation of the mission's contract by October 31, 1941.

Respectfully yours,

ALLAN DAWSON

824.20/169: Telegram

The Secretary of State to the Chargé in Bolivia (Dawson)

WASHINGTON, October 31, 1941—5 p. m.

216. From the Under Secretary. Your 311, October 30, 6 p. m.⁴⁵ I have spoken this morning with the Bolivian Minister regarding this question. He is communicating immediately with his Government and is reminding them that a formal commitment to this Government was made in writing covering the termination of the services of the Italian mission in October 1941. The recommendations in your telegram will be given immediate consideration. [Welles.]

HULL

824.20/170: Telegram

The Chargé in Bolivia (Dawson) to the Secretary of State

LA PAZ, November 3, 1941—8 p. m.

[Received 8:55 p. m.]

312. Department's 216, October 31, 5 p. m. Minister of Foreign Affairs informed me this afternoon that Cabinet had decided on immediate cancellation of contract of Italian military mission but that Minister of War desired to retain three members of it on new private contracts to continue teaching mapping, drawing, et cetera, in staff college at Cochabamba as there were no substitutes available. He

⁴⁵ Not printed.

promised me details as to names of men, subjects taught and proposed lengths of contracts which will be forwarded when received. I feel that retention of any members of Italian military mission in whatever capacity is objectionable and respectfully recommend that the Department insist on Bolivian Government's keeping fully to its commitment. It might be possible for substitute instructors to be furnished by the United States Army as an additional military mission.

DAWSON

824.20/176

The Chargé in Bolivia (Dawson) to the Secretary of State

No. 1374

LA PAZ, December 2, 1941.

[Received December 9.]

SIR: I have the honor to report that in the course of a conversation this morning when I took Lieutenant Colonel Edward H. Porter, Chief of the United States Army Aviation Mission to Bolivia, to pay his protocol visit on the Minister of Foreign Affairs (while Colonel Porter and the junior members of the Mission arrived on November 25, he has been ill and was unable to make his visits until today), the latter advised me that he had informed the Italian Government, through the Italian Legation in La Paz and the Bolivian Legation in Rome, that the services of the Italian Military Mission to Bolivia would be terminated this month. On my inquiring exactly when these services would end, the Minister stated that this would be after the examinations finishing the military school year which he thought was just before Christmas.

When Lieutenant Colonel Clarence W. Bennett, the Military Attaché of the Legation, took Col. Porter to call on the Minister of War this afternoon the subject of the Italian Military Mission was also aired. The Minister of War stated that the termination of the services of the Mission was a question which had been definitely settled and that he was going to Cochabamba, where the Mission is stationed, in the course of the next two or three days to tell its members that their services were to end after the examinations and to arrange details.

The Minister of War again expressed interest in the possibility of securing the services of United States Army officers to replace some of the Italian officers as instructors in courses in the Bolivian Staff College at Cochabamba. Col. Bennett told him that, if a request were made through the Bolivian Minister in Washington, he was sure careful and sympathetic consideration would be given to it.⁴⁶ Col. Bennett

⁴⁶ A formal request was made by the Bolivian Legation on February 14, 1942, and on April 9, 1942, the Department of State informed the Legation that the War Department had concluded that four officers could meet the request for instructors. (824.20/189, 203a)

further suggested that, if it was decided to ask for the services of an American Army Mission of this character, it would be helpful to have in advance of the formal request an indication of the exact curriculum which each officer would be expected to cover in his courses so that it might be ascertained as soon as possible whether qualified officers would be available.

Respectfully yours,

ALLAN DAWSON

**NEGOTIATION OF A LEND-LEASE AGREEMENT WITH BOLIVIA,
SIGNED DECEMBER 6, 1941⁴⁷**

810.20 Defense/1152d : Telegram

The Acting Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, July 19, 1941—9 p. m.

106. The Department on July 17 handed to the Bolivian Minister a draft of basic agreement for the lend-lease program of transferring military matériel to Bolivia. The principal financial provisions are as follows: Bolivia is to receive a total of \$8,000,000 of military matériel of which it is expected \$2,000,000 will be transferred during the fiscal year ending June 30, 1942. This delivery date is subject to change if broad defense considerations so require.

With respect to repayment, Bolivia is expected to pay \$250,000 in each fiscal year until 1947 making a total of \$1,500,000 to be repaid prior to June 30, 1947. In consideration of the broad objectives of the program and of certain very general economic concepts, the entire obligation of Bolivia to the United States would be considered discharged by such payments.

WELLES

810.20 Defense/1223

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 973

LA PAZ, July 30, 1941.
[Received August 5.]

SIR: I have the honor to refer to the Department's telegram No. 106 of July 19, 1941, concerning the proposal to transfer certain military equipment to Bolivia under the Lend-Lease Program and to report that President Enrique Peñaranda brought this matter up during a conversation I had with him at the Presidential Palace yesterday morning. I called on the President at his request and was accom-

⁴⁷ See also section entitled "General policy of the United States for the negotiation of basic agreements relating to Lend-Lease to other American Republics," pp. 133 ff.

panied by Mr. Pool⁴⁸ of the Legation. Dr. Joaquin Espada, the Minister of Finance, came in soon after the President received us and took part in the conversation.

President Peñaranda said that he felt Bolivia should receive a larger quantity of matériel than had been promised under the Lend-Lease Program and he asked me to do what I could to induce our authorities in Washington to take a more favorable attitude to Bolivia in this connection. He referred to the fact that Chile, Peru and other neighboring countries were to receive a great deal more than Bolivia, saying he felt this was not quite fair to this country.

I pointed out to General Peñaranda that I was sure the plan for distributing military matériel to our South American neighbors had been prepared with the greatest care and only after consultation and study with the representatives of the countries concerned. I had not been informed, I said, but I was under the impression that the matériel to go to each country was based on the standing army of the government concerned and for this reason I assumed Bolivia's quota would not be as much as that of Chile or Peru perhaps, but probably more than the amount to be received by some of the other countries.

To this, President Peñaranda replied that a country's strength did not depend on its standing army but rather on the troops it could put in the field and that Bolivia could be counted on to raise an army equal to that of any of the other countries mentioned.

The President then handed me a list of matériel which he felt Bolivia should have and which he said he hoped our Government would be willing to supply under the Lend-Lease Plan. A translation of this memorandum follows:

1. *Aviation School*—Necessary equipment for the training of pilots:
 - 20 Primary training planes
 - 15 Advanced training planes
 - 4 Twin-motored advanced training planes
2. Equipment for 30,000 (men).
3. Mission of United States Army Aviation Instructors.
4. One battalion of medium tanks.
5. Twelve companies of anti-tanks.
6. Communication material—Radios and telephones.
7. Two groups of 105 cal. howitzers.
8. Five escadrilles of fighting planes.
9. Fifteen escadrilles of bombing planes.

Of course I told the President that I would immediately transmit the list and the substance of his remarks to Washington where I was sure they would receive careful consideration. I added, however, that

⁴⁸ John Cochran Pool, Vice Consul and Third Secretary of Legation.

as he doubtless knew our Government was doing everything it could at present to supply England and certain other countries fighting for the democracies and I did not know whether the responsible authorities in Washington would feel it possible to increase the quota of military matériel set aside for Bolivia. The President said he understood this but hoped Bolivia's quota could be raised in relation to the neighboring South American countries.

The Department may be interested to know that Colonel Moscoso, the Bolivian Military Attaché in Washington who is now back in La Paz on leave, called to see me a few days ago and, in the course of the conversation, he brought up the fact that Bolivia did not seem to be getting the war matériel under the Lend-Lease Plan to which he thought it was entitled. He added, however, that this was only his personal opinion and that he had not said anything about the matter to our authorities in Washington.

President Peñaranda went on to say that he was convinced the Germans intended to gain control of Bolivia first and use it as a point from which to extend their influence by infiltration or other means to the neighboring South American countries. He said recent political events in Bolivia and elsewhere tended to confirm this and pointed out the natural advantages offered by the Bolivian terrain for airplane landing fields as well as the strategical central position Bolivia occupies in this continent. He asserted very positively that Bolivia had definitely embarked on a pro-American and pro-democratic policy against the Nazi and totalitarian states.

In the course of the conversation with President Peñaranda, I referred to the proposed American aviation mission⁴⁹ and asked the President if the Government still felt the need of this mission without delay. To this, the President replied most emphatically that he hoped our aviation mission would be sent down as soon as possible and pointed out that in his memorandum the mission of United States army aviation instructors had been specifically mentioned.

While I am quite sure, as a layman, that the allotment of military supplies has already been carefully worked out by our military authorities and that no general increase will be feasible, it has occurred to me that consideration might possibly be given to expanding and improving the aviation department of this country. As the Department knows, Bolivia possesses only one or two military planes that can be flown at present and it is evident that serious attention should be devoted to the training and organization of the aviation arm. This would probably cost less money than a supply of tanks and artillery and would be more effective in case of need.

Respectfully yours,

DOUGLAS JENKINS

⁴⁹ See pp. 412 ff.

824.24/295

*Memorandum of Conversation, by Mr. Stephen Morris, Assistant to
the Liaison Officer*

[WASHINGTON,] August 19, 1941.

This afternoon I received a call from the Bolivian Minister who was accompanied by Colonel Moscoso. Dr. Guachalla said that Bolivia was anxious to have the amount to be received during the first year increased beyond \$2,000,000. He told me that he had mentioned this matter to Mr. Welles, who had told him that the important factor involved was what war materials could be made available; that this matter was more pertinent than the actual sum of money desired.

The Minister stated he now had a list of the armaments desired by his Government, and that he wished to show this list to the appropriate authorities in order to determine (a) whether Bolivia would be able to receive more the first year, and (b) whether Bolivia could get a larger total figure. In the latter connection, he referred to the conversation which the American Minister at La Paz had had with President Peñaranda, in the course of which the latter had said Bolivia hoped to receive more military equipment under the Lend-Lease program (despatch no. 973, July 30, from La Paz).

I explained to Dr. Guachalla the difficulties involved in granting anything more to Bolivia than had already been communicated; i. e., the problems the War Department is faced with in this connection, such as the demands of Great Britain, Russia, et cetera. I said that I would be glad to arrange an appointment, if possible for tomorrow, for the Minister and Colonel Moscoso with the War Department.

I telephoned the Bolivian Minister that an appointment had been arranged for him tomorrow afternoon at the War Department with Major Johnston of the Defense Aid Division.

In speaking to Major Johnston about this, I was informed that it would probably be impossible to either increase the total amount for Bolivia or the amount to be received by that country during the first year.

824.24/302

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 1136

LA PAZ, September 25, 1941.

[Received October 1.]

SIR: I have the honor to report that in the course of a conversation I had yesterday with Dr. Alberto Ostría Gutiérrez, Minister of Foreign Affairs, he mentioned the deplorable condition of rolling stock on the Bolivian Government railways and expressed the hope that it

would be possible for our Government to lend its assistance in this matter. The Minister referred to the proposed \$8,000,000 loan to this country for military purposes and said that it would be much more helpful to Bolivia if a part of this credit could be earmarked for locomotives instead of armaments. He added that these engines would be just as essential, if not in fact a little more so, than guns and ammunition.

I told Dr. Ostria Gutiérrez that I would be glad to bring the substance of his remarks to the attention of the Department for such consideration as might be deemed feasible, and asked him how many locomotives he thought would be needed to put the local railways in a reasonably efficient condition. The Minister replied that this entire question had been under recent discussion in the Cabinet and it was understood that ten locomotives would be required as a minimum.

Dr. Ostria Gutiérrez told me that President Peñaranda was gravely concerned over the situation and had authorized him to speak to me about it. The shortage of food supplies in many districts which was causing discontent and threats of strikes and other disorders, Dr. Ostria Gutiérrez said, was the direct result of the breakdown in railway communications and the consequent inability of the authorities to bring into the country foodstuffs and other supplies absolutely necessary for the people.

After my conversation with the Minister of Foreign Affairs, I called on Mr. William A. Pickwood, general manager of the British-owned Antofagasta-Bolivian Railway, and asked for his opinion in regard to what Dr. Ostria Gutiérrez had told me. Mr. Pickwood said it was perfectly true that the Government lines in Bolivia were in desperate need of locomotives and that his railway was lending them some engines and cars to help out, but of course this was only a stop-gap and could not be continued indefinitely. Mr. Pickwood pointed out that all of the railway lines in Bolivia were of the meter gauge. He said the Baldwin Locomotive Works in the United States had filled orders for engines of this sort in Brazil in the past and could no doubt do the same thing for Bolivia. He then offered to write me a letter in detail in regard to the matter, and a copy of this communication is attached to this despatch.⁵⁰

If at all feasible, it would appear to be a wise step for the responsible authorities in Washington to consider applying a part of the \$8,000,000 credit mentioned for the purchase of some, if not all, of the locomotives reported by Dr. Ostria Gutiérrez and Mr. Pickwood to be so badly needed.

Respectfully yours,

DOUGLAS JENKINS

⁵⁰ Not printed.

824.24/302

*Memorandum of Conversation, by the Adviser on Political Relations
(Duggan)*

[WASHINGTON,] September 26, 1941.

The Minister⁵¹ permitted me to read a brief telegram from the Minister of Foreign Affairs instructing him to endeavor to secure an increase of \$1,000,000 in the amount of the allocation for armament under the lend-lease program to purchase ten locomotives. If it is impossible to increase the allocation then inquiry is made as to whether \$1,000,000 of the total allocation for Bolivia could be diverted for the purchase of ten locomotives.

I reminded the Minister that the lend-lease agreement provided for the delivery of "armament and munitions of war". By no stretch of the imagination could locomotives for Bolivia be considered either as armament or as munitions of war. I told the Minister that he would recall, however, that this Government, in its proposal for economic collaboration,⁵² had suggested a study of Bolivia's communication needs, which, of course, included railroads. I suggested the possibility of a railroad engineer being sent to Bolivia competent, if possible, not only to inspect the condition of the locomotives but also to advise on Bolivia's railroad problems in general.

The Minister said that he himself, prior to coming to see me, had examined the lend-lease text and was prepared for the answer that I had given him. He thought the suggestion I made a good one and hoped that it would be acted upon.

I told the Minister that the question would be looked into at once and I would try to give him a reply tomorrow.

LAURENCE DUGGAN

824.24/341

*Memorandum of Conversation, by the Adviser on Political
Relations (Duggan)*

[Extract]

[WASHINGTON,] November 25, 1941.

The Minister of Bolivia came in to state that he had written his Government by air mail asking permission for him to return to Bolivia for a brief consultation. If permission is granted he intends to leave the United States on December 15, arriving in La Paz about January 3. He would leave La Paz at the end of January, arriving

⁵¹ Luis Fernando Guachalla, the Bolivian Minister.

⁵² For correspondence concerning a proposed program for economic cooperation between the United States and Bolivia, see pp. 434 ff.

in Washington about the time that he hopes the first of Mr. Bohan's⁵³ reports will be submitted.

The Minister stated that prior to his departure he would like to clear up a number of matters of pending business.

1. He said that the lend-lease contract with Bolivia had not been signed due to the fact that the Department was taking up with the War Department the possibility of increasing Bolivia's total allocation from \$8,000,000 to \$11,000,000. I told the Minister that the Department had just heard from the War Department that the increase desired had been granted, so that there was now no reason why the lend-lease contract could not be signed at once.

LAURENCE DUGGAN

824.24/12-641

*Lend-Lease Agreement Between the United States and Bolivia,
Signed at Washington, December 6, 1941*

WHEREAS the United States of America and the Republic of Bolivia declare that in conformity with the principles set forth in the Declaration of Lima, approved at the Eighth International Conference of American States on December 24, 1938,⁵⁴ they, together with all the other American republics, are united in the defense of the Americas, determined to secure for themselves and for each other the enjoyment of their own fortunes and their own talents; and

WHEREAS the President of the United States of America, pursuant to the Act of the Congress of the United States of America of March 11, 1941,⁵⁵ and the President of the Republic of Bolivia have determined that the defense of each of the American republics is vital to the defense of all of them; and

WHEREAS the United States of America and the Republic of Bolivia are mutually desirous of concluding an Agreement for the providing of defense articles and defense information by either country to the other country, and the making of such an Agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an Agreement in conformity with the laws either of

⁵³ Merwin L. Bohan, Chief of the United States Economic Mission to Bolivia.

⁵⁴ For correspondence on this Conference, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.; for text of the Declaration of Lima, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27, 1938* (Washington, Government Printing Office, 1941), p. 189.

⁵⁵ 55 Stat. 31.

the United States of America or of the Republic of Bolivia have been performed, fulfilled or executed as required;

The undersigned, being duly authorized for that purpose, have agreed as follows:

ARTICLE I

The United States of America proposes to transfer to the Republic of Bolivia under the terms of this Agreement armaments and munitions of war to a total value of about \$11,000,000. The United States of America proposes to begin deliveries immediately and to continue deliveries as expeditiously as practicable during the coming twelve months to an approximate total value of \$3,000,000 for use by the Bolivian Army.

In conformity, however, with the Act of the Congress of the United States of America of March 11, 1941, the United States of America reserves the right at any time to suspend, defer, or stop deliveries whenever, in the opinion of the President of the United States of America, further deliveries are not consistent with the needs of the defense of the United States of America or the Western Hemisphere; and the Republic of Bolivia similarly reserves the right to suspend, defer, or stop acceptance of deliveries under the present Agreement, when, in the opinion of the President of the Republic of Bolivia, the defense needs of the Republic of Bolivia or the Western Hemisphere are not served by continuance of the deliveries.

ARTICLE II

Records shall be kept of all defense articles transferred under this Agreement, and not less than every ninety days schedules of such defense articles shall be exchanged and reviewed.

Thereupon the Republic of Bolivia shall pay in dollars into the Treasury of the United States of America the total cost to the United States of America of the defense articles theretofore delivered up to a total of \$2,000,000 less all payments theretofore made, and the Republic of Bolivia shall not be required to pay

more than a total of \$333,333.33 before December 1, 1942,
more than a total of \$666,666.66 before December 1, 1943,
more than a total of \$1,000,000.00 before December 1, 1944,
more than a total of \$1,333,333.33 before December 1, 1945,
more than a total of \$1,666,666.66 before December 1, 1946, or
more than a total of \$2,000,000.00 before December 1, 1947.

In case the President of the United States of America shall stop deliveries under the provisions of Article I, or if the United States of America shall be unable to complete deliveries up to the total value contemplated by that Article, the payments to be made by the Republic of Bolivia shall be reduced in the same proportion; so that

the Republic of Bolivia shall never be obligated to pay to the United States of America a greater percentage of the total value of deliveries actually made available by the United States of America than the total payment provided in this Article bears to the total value of contemplated deliveries provided in Article I.

ARTICLE III

The United States of America and the Republic of Bolivia, recognizing that the measures herein provided for their common defense and united resistance to aggression are taken for the further purpose of laying the bases for a just and enduring peace, agree, since such measures cannot be effective or such a peace flourish under the burden of an excessive debt, that upon the payments above provided all fiscal obligations of the Republic of Bolivia hereunder shall be discharged; and for the same purpose they further agree, in conformity with the principles and program set forth in Resolution XXV on Economic and Financial Cooperation of the Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana, July 1940,⁵⁸ to cooperate with each other and with other nations to negotiate fair and equitable commodity agreements with respect to the products of either of them and of other nations in which marketing problems exist, and to cooperate with each other and with other nations to relieve the distress and want caused by the war wherever, and as soon as, such relief will be succor to the oppressed and will not aid the aggressor.

ARTICLE IV

Should circumstances arise in which the United States of America in its own defense or in the defense of the Americas shall require defense articles or defense information which the Republic of Bolivia is in a position to supply, the Republic of Bolivia will make such defense articles and defense information available to the United States of America, to the extent possible without harm to its economy and under terms to be agreed upon.

ARTICLE V

The Republic of Bolivia undertakes that it will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information received under this Agreement, or permit its use by anyone not an officer, employee, or agent of the Republic of Bolivia.

Similarly, the United States of America undertakes that it will not, without the consent of the President of the Republic of Bolivia,

⁵⁸ For correspondence on this meeting, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.; for Resolution XXV, see Department of State *Bulletin*, August 24, 1940, p. 141.

transfer title to or possession of any defense article or defense information received in accordance with Article IV of this Agreement, or permit its use by anyone not an officer, employee, or agent of the United States of America.

ARTICLE VI

If, as a result of the transfer to the Republic of Bolivia of any defense article or defense information, it is necessary for the Republic of Bolivia to take any action or make any payment in order fully to protect any of the rights of any citizen of the United States of America who has patent rights in and to any such defense article or information, the Republic of Bolivia will do so, when so requested by the President of the United States of America.

Similarly, if, as a result of the transfer to the United States of America of any defense article or defense information, it is necessary for the United States of America to take any action or make any payment in order fully to protect any of the rights of any citizen of the Republic of Bolivia who has patent rights in and to any such defense article or information, the United States of America will do so, when so requested by the President of the Republic of Bolivia.

ARTICLE VII

This Agreement shall continue in force from the date on which it is signed until a date agreed upon between the two Governments.

Signed and sealed in the English and Spanish languages, in duplicate, at Washington, this sixth day of December, 1941.

For the United States of America:

CORDELL HULL

*Secretary of State of the
United States of America*

For the Republic of Bolivia:

LUIS [FERNANDO] GUACHALLA

*Envoy Extraordinary and Minister
Plenipotentiary of the Republic
of Bolivia at Washington*

824.24/384a

The Secretary of State to the Bolivian Minister (Guachalla)

WASHINGTON, December 9, 1941.

SIR: I have the honor to invite your attention to the offer made by the Government of the United States in the interest of hemisphere defense to furnish the Government of Bolivia with armament valued at

\$11,000,000. The equipment for this purpose would be provided under the terms of the Lease-Lend Act of March 11, 1941.

The Congress of the United States enacted on October 28, 1941 the Defense Aid Supplemental Appropriation Act.⁵⁷ Of the funds appropriated under this Act, \$150,000,000 have been set aside for the acquisition of military and naval equipment by the other American republics.

The budgetary limitations, however, require that the funds in question shall be obligated not later than February 28, 1942. In consequence of this, it would be appreciated if your Legation, provided it has not done so already, would be good enough to present to the appropriate authorities of this Government at the earliest possible date the official lists of the desired equipment in order that the necessary action may be taken toward the procurement of this material.

Accept [etc.]

For the Secretary of State:

SUMNER WELLES

740.0011 European War 1939/17500 : Telegram

The Chargé in Bolivia (Dawson) to the Secretary of State

LA PAZ, December 13, 1941—6 p. m.

[Received 9:44 p. m.]

375. Since outbreak of hostilities it has been obvious that Bolivians hope for maximum of concessions from the United States in return for such aid as they give us. This has taken form of suggestions by Minister of Finance that tin and tungsten contracts might be modified to Bolivia's advantage and statements by Minister of Foreign Affairs to officer of Legation that Bolivia needed economic help immediately (despite facts that economic mission is about to commence full activities and that this is one Latin American country in better financial position than at outbreak of European war). It is epitomized in public statement of ex-Minister of Finance that Bolivia should "negotiate cooperation".

I have endeavored discreetly to insinuate to Foreign Minister and some of his predecessors that best way for Bolivia to secure economic help was to take firm stand by our side, at least breaking off relations with Axis Powers. Brother of Minister at Washington tells me that latter has recommended break with Axis. At meeting called December 11th, of ex-Foreign Ministers to advise Minister of Foreign Affairs all but one were in favor of breach of relations and Minister expressed agreement.

⁵⁷ 55 Stat. 745.

Nevertheless at meeting today covered by my 375 [376], December 13, 6 p. m.⁵⁸ Minister of Foreign Affairs read telegram sent to Bolivian Minister at Washington asking him to inform Department that Bolivia had failed to break off diplomatic relations only because this would cause subversive activities with which Bolivia was not prepared to cope with because of lack of armaments which could only be met by Lend-Lease loans.

DAWSON

824.24/325 : Telegram

The Chargé in Bolivia (Dawson) to the Secretary of State

LA PAZ, December 13, 1941—6 p. m.

[Received 10 p. m.]

376. Last paragraph my 376 [375], December 13, 6 p. m. President, Minister of Foreign Affairs and Minister of Defense⁵⁹ asked for assistance in obtaining immediate Lend-Lease supplies for organization of defence of Bolivia as follows: (1) 20 to 25 training planes, (2) priorities for approximately 70 trucks ordered from International Harvester Company for delivery December 31, (3) 60 20-millimeter anti-aircraft guns and 12 40-millimeter A A A guns.

Bolivian Minister in Washington is being asked to expedite action. Item 3 has not previously been included in Lend-Lease requests because it had been ordered from Bofors.⁶⁰

After consulting with Military Attaché and Chief of Aviation Mission I recommend strongly that:

(1) Arrangements be made for delivery of trainers as soon as possible after Chief of Mission so recommends, his action depending upon measure of cooperation he obtains in his tasks. If armed locally these should be as effective in controlling subversive activities in Bolivia as combat planes.

(2) Priorities be made available immediately for trucks and that these be paid for from Lend-Lease funds. Bolivia's primary need in controlling country is transportation of troops.

(3) Action on A A A guns be delayed until Legation's military advisers can estimate situation accurately. Offhand anti-aircraft equipment would appear unnecessary to the country.

DAWSON

⁵⁸ *Infra.*

⁵⁹ Gen. José Miguel Candia.

⁶⁰ Bofors Limited, a Swedish company that produced arms and munitions.

PROPOSED PROGRAM FOR ECONOMIC COOPERATION BETWEEN THE
UNITED STATES AND BOLIVIA

824.50/14

Memorandum by the Adviser on Political Relations (Duggan)

[WASHINGTON,] May 28, 1941.

The Minister ⁶¹ permitted me to see a clipping from a La Paz newspaper containing the text of a telegram which Señor Salamanca had sent to Señor Paz Estenssoro, to the effect that the United States was prepared to consider a program of economic assistance to Bolivia without a prior or accompanying settlement of the Standard Oil problem.⁶²

The Minister stated that this telegram had provoked considerable discussion in La Paz. The opposition was making it appear as though the visit of Salamanca and Prudencio had resulted in a change in the Department's attitude, that these two deputies had accomplished more in their brief visit to the United States than had the Bolivian Government and its Minister in Washington in more than a year.

The Minister stated that he knew that neither Mr. Welles⁶³ nor I had given these gentlemen to understand anything different than what had been conveyed to him from time to time. He would like to make two points clear: In the first place, the Bolivian Government had endeavored to secure credits from this Government but had failed because of the Standard Oil problem. The Minister referred particularly to the negotiations carried on by the Minister of Foreign Affairs with Mr. Welles in Panama in September, 1939.^{63a} He stated that the same point of view had also been indicated to him from time to time by the Under Secretary, by Dr. Feis,⁶⁴ and by me. In the second place, the Minister desired to remind the Department that it was he who had suggested, practically a year ago, that this Government make certain credits without exacting any commitment with regard to the Standard Oil question. He had suggested this Government grant Export-Import Bank credits to permit the financing of the Santa Cruz railroad.⁶⁵ Mr. Welles had not turned the proposition down. On the contrary, he had stated that the first step was to have a detailed survey of the route in order to ascertain how much credit would be necessary. This attitude of Mr. Welles' and the

⁶¹ Luis Fernando Guachalla, the Bolivian Minister.

⁶² See pp. 464 ff.

⁶³ Sumner Welles, Under Secretary of State.

^{63a} For correspondence regarding these negotiations, see *Foreign Relations*, 1939, vol. v, pp. 313-322.

⁶⁴ Herbert Feis, Adviser on International Economic Affairs.

⁶⁵ For correspondence regarding proposed railroad construction in Bolivia, see *Foreign Relations*, 1940, vol. v, pp. 548 ff.

subsequent making of the survey gave the Bolivian Government grounds to believe that, at the opportune moment, credits would be forthcoming, even though the Standard Oil question had not been settled.

I informed the Minister that I was sorry if his Government or he had been placed in an embarrassing position because of Señor Salamanca's telegram. I said that he was quite correct in his assumption that nothing had been told Señor Salamanca that had not been repeated frequently to the Minister. I said that, after his last call on Mr. Welles, the latter had requested that the Bolivian situation be reviewed. I explained that a memorandum had been drawn up and was about to be presented to Mr. Welles which would suggest various new approaches to the problem. I told the Minister that I would let him know as soon as a decision had been arrived at but indicated that, in a case of this kind, a decision not only of the Department but also of the Federal Loan Administrator⁶⁶ might be necessary.

The Minister stated that he would withhold compliance with new instructions which he had just received, to present a request for a \$36,000,000 loan. Of the total amount, \$30,000,000 would be used for the Santa Cruz railroad, \$3,000,000 for stabilization purposes, and \$3,000,000 for miscellaneous public works including certain road construction. The Minister volunteered the information that, since the last conversation, he had been thinking over my suggestion that, instead of investing such a large amount of money in a railroad which would help only one section of the country, it would be far better to build a highway network that would tie the country together and help all parts.

824.50/12a : Telegram

The Acting Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, August 1, 1941—3 p. m.

127. The original of the memorandum the text of which is quoted in full hereafter was handed to the Bolivian Minister here today. The Minister stated that he would send it by air mail at once to the Minister of Foreign Affairs and would request from him a cabled reply as to the views of his Government. In view of the desire of the Bolivian Minister here to handle the negotiations in this way it is believed that you should confine yourself at this stage merely to making available immediately to Dr. Ostria Gutierrez⁶⁷ the text of the memorandum.

⁶⁶ Jesse H. Jones.

⁶⁷ Bolivian Minister for Foreign Affairs.

"1. The Department of State has been considering with other agencies of the Government of the United States measures which might appropriately be included in a long-term plan of collaboration to foster continued mutually beneficial economic relations between the United States and Bolivia and to develop the national economy and national resources of Bolivia.

2. It is believed that the basis of such a plan must be in the development of communications—largely of highways, but perhaps including certain railway facilities. The report of the United States Army engineers^{67a} who studied the Vila Vila-Santa Cruz railway project does not support the construction of such a railway, but suggests as an alternative consideration of the construction of a highway joining the two points. It is believed that a decision regarding a long-term program for the development of communications in Bolivia can best be taken after a general survey by competent engineers. The Bolivian Government has recently inquired concerning the possibility of a general survey by highway experts, and there is attached a memorandum⁶⁸ outlining the studies which the appropriate officials of this Government believe may be practicable at this time. The Government of the United States is prepared to detail qualified experts to Bolivia under the provisions of Public, No. 63 (76th Congress)⁶⁹ to carry out this survey work.

3. The development of communications should encourage an expansion and diversification of agricultural production in Bolivia, involving both an increased degree of self-sufficiency and perhaps the development of certain tropical products for export. It is believed that this development might be advantageously speeded up and assisted by a comprehensive survey of the several potentially important agricultural regions of Bolivia. The Government of the United States is prepared at the request of the Bolivian Government to detail competent agricultural experts to carry out such a survey in cooperation with the Bolivian authorities.

4. It has been suggested that it may be feasible and desirable to stimulate production of tin, tungsten and certain other minerals in Bolivia of small miners by assisting them in improving their methods, providing them with appropriate machinery, and possibly erecting a reduction plant for the treatment of low-grade tin ores. Such possibilities of course would require careful study, and the Government of the United States would be glad to consider any request that may be made by the Government of Bolivia for the services of a qualified expert.

5. The Government of the United States is prepared to cooperate in giving effect to the recommendations arising out of thorough technical and economic surveys of Bolivian communications needs and agricultural and mineral potentialities by the extension of financial and technical assistance in appropriate manner and amounts for the execution of individual projects which are considered desirable, useful, and practicable by both the Bolivian and United States Governments.

^{67a} Not printed; for summary of report, see despatch No. 562, January 6, 1941, from the Minister in Bolivia, *Foreign Relations*, 1940, vol. v, p. 553.

⁶⁸ Not printed.

⁶⁹ Approved May 3, 1939; 53 Stat. 652.

6. The Government of the United States is prepared to consider the practicability of measures which may be suggested for cooperation with the Government of Bolivia in the stabilization of the Bolivian currency in its relation to the United States dollar."

WELLES

824.50/13 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, August 12, 1941—2 p. m.

[Received 3:26 p. m.]

191. Referring to Department's telegram No. 127 of August 1, 3 p. m., concerning plan of collaboration between the United States and Bolivia for development of national resources of the latter, Minister of Foreign Affairs has just informed me orally that his Government accepts our offer and hopes we are in a position to send down technical experts immediately including a petroleum expert. He is telegraphing Bolivian Minister at Washington to this effect and entire matter is to be announced to Parliament this afternoon or tomorrow.

JENKINS

824.50/15

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 1006

LA PAZ, August 15, 1941.

[Received August 25.]

SIR: I have the honor to refer to the Department's telegram No. 127 of August 8 [1], 3 p. m., and to the Legation's telegram No. 199 [191] of August 12, 2 p. m., both with reference to the proposed plan for economic cooperation between the American and Bolivian Governments, and to report the general reaction in Bolivia to the proposal.

The proposal has made, generally speaking, a very favorable impression, the only unfortunate repercussion thus far having been what may turn out to be a somewhat over-optimistic anticipation of the amount involved in the loan to be made by the United States Government. Although the text of the general memorandum transmitted to the Bolivian Government made no mention of any specific amount the supplementary memorandum concerning a possible survey of potential highways has been rather generally misinterpreted as being an outline of actual intended construction. On the basis of this, Cabinet discussions at first apparently centered around the maximum survey figure of 11,400 kilometers, involving an outlay of \$120,000,000, but have now been moderated to the more reasonable figure of 5,000 kilo-

meters mentioned later in the memorandum, for which a loan of \$25,000,000 is deemed necessary. It is also being assumed that another large sum will be made available for the agricultural and mining development and the currency stabilization suggested.

In addition to these projects and despite the discouraging tone of the memorandum in this particular respect, there continues to be some discussion as to the possibility of obtaining sufficient funds to complete the Vila Vila-Santa Cruz railway. For instance, there has been presented to the Senate a draft of a law stating "from the loan which the Government is trying to get from the United States, there shall be set aside with preference the amount necessary for the Vila Vila-Santa Cruz railway". In fairness to the Government, however, it must be stated that there has been no recent official statement of any kind with reference to this railway.

Although it has been my understanding, unofficially, that the total amount of the loan contemplated would probably not amount to more than \$20,000,000 as a maximum I can understand how the Bolivians, in their usual optimistic manner, have seized upon a suggestion for a technical study to mean that the entire study project would be carried into actual production. The Government itself has made no pronouncement on the subject except to release for newspaper publication the text of the general memorandum. The newspapers however, on the basis of this and also conversations with various Cabinet members, have expanded the entire matter until only the most moderate estimates have been as low as \$30,000,000 and the most optimistic have been as high as \$200,000,000. The most recent newspaper reports have been as follows: *Ultima Hora*, \$120,000,000; *El Diario*, between \$70,000,000 and \$80,000,000; *La Razón*, \$200,000,000.

Another encouragement to the generally hopeful attitude in the country has been the return of Carlos Salamanca from the United States with very glowing reports concerning the amount of help which Bolivia may expect to receive. His newspaper interviews and report to Congress are being covered in another despatch.

Although at this moment it seems unfortunate that the Bolivian public is being misled, and that the good effect of the loan may be somewhat lessened by too optimistic expectations, it is probable that previous estimates of the amount involved will have been forgotten by the time actual projects are named, and that local disappointment will not be nearly so great as the present situation might indicate. In any event, I do not think it can be said that the Government is intentionally encouraging a misunderstanding of the matter. Rather, I believe that the reaction here is more or less what might have been expected, assuming the natural optimism of Bolivian statesmen and the nature of the survey suggestions given them.

Respectfully yours,

DOUGLAS JENKINS

824.50/16: Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, August 28, 1941—3 p. m.

[Received 5:10 p. m.]

225. Referring to Department's telegram No. 127 of August 1 and my telegram No. 199 [191?] of August 12. Bolivian Minister for Foreign Affairs tells me opposition members in the Chamber of Deputies are spreading report that United States Government has no intention of fulfilling its promise to lend assistance for development of Bolivian communications and resources. Minister expresses the hope orally that technical commission be sent down as soon as possible.

JENKINS

824.50/25

The Bolivian Legation to the Department of State

[Translation]

MEMORANDUM

The Legation of Bolivia has received instructions to communicate with the Department of State in response to its Memorandum of August 1, 1941 with respect to a plan of "collaboration" over a long period for the development of economic relations between Bolivia and the United States and the development of the national economy and resources of Bolivia, as follows:

(1) The Government of Bolivia is pleased to give its approval to the suggestions contained in the mentioned Memorandum of the Department of State, and it believes that its appropriate application will result in positive benefits for the economy of the two countries.

(2) Undoubtedly the problem of Bolivian communications is the most important and, consistent with this, it is necessary to study it in its various aspects; political, economic and technical. With respect to the railways, Bolivia has the important problem of terminating the construction of the Vila Vila-Santa Cruz line, the connecting link between the Pacific (Arica) and the Atlantic (Santos) which the Second Meeting of Ministers of Foreign Affairs at Havana declared to be of importance and utility for the continental defense.⁷⁰

(3) The Government of Bolivia considers it of the greatest importance that the American technicians and experts mentioned in the

⁷⁰ See *Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21-30, 1940, Report of the Secretary of State* (Washington, Government Printing Office, 1941), Resolution X: Interoceanic Railway between Arica and Santos by way of Bolivia, p. 68.

Memorandum of August 1, 1941 be sent and for this purpose, requests a prompt decision concerning this matter.

(4) Along with the technicians and experts in communications, agriculture, and mining, the Government of Bolivia requests especially the assignment of a technician in petroleum, whose studies would complete the picture of economic possibilities of Bolivia.

WASHINGTON, September 9, 1941.

824.50/18

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 1088

LA PAZ, September 11, 1941.

[Received September 17.]

SIR: I have the honor to refer to the Department's telegram No. 127 of August 8 [1], 1941, 3 p. m., with reference to the proposed plan for economic cooperation between the American and Bolivian Governments, and to report that Mr. Santiago Schulze, Manager of the Banco Minero, recently informed Mr. Hiern, Senior Economic Analyst and attached to this Legation, that Mr. Schulze has had considerable correspondence with Mr. Luis Fernando Guachalla in Washington on the subject of the appointment of a commission of technicians to study mining conditions in Bolivia in connection with a contemplated loan by the United States Government.

Mr. Schulze seems to think that too much emphasis has been placed by Bolivians on the financial aspect of the matter and too little on the technical nature of the loan. Mr. Schulze and Mr. C. L. Ball, Technical Adviser of the Banco Minero, think, as is evidently contemplated by our Government, that any question of a loan should be preceded by a scientific investigation of conditions more or less along the following lines:

1. The appointment of a commission of one or more American experts, to be assisted by Bolivian specialists.
2. This commission to make a rapid, preliminary survey to determine further detailed studies for the future.
3. This commission to omit, as unnecessary, any geologic work and, for the time being at least, any improvements in mining methods.
4. The commission should be prepared to recommend improvements in existing milling methods, especially for the smaller mines and mills.
5. The commission should be prepared to recommend the installation of new mills to replace existing inefficient units; to recommend the installation of mills to serve as central processing units to replace numerous small, inefficient units now in use; to recommend the installation of mills to handle ores not now being treated and to open new mines for which no treatment plants are now available.

6. The commission should be prepared to recommend methods of operation which will place Bolivia in a better position to cope with post-war adjustments in prices. (For instance, some mines are shipping mixed concentrates of WO_3 and Sn for the WO_3 value only, being penalized for the Sn content. After the war, with proper separating equipment, these mines could ship the tin as their major product and the wolfram as a by-product.)

7. The commission should be prepared to make recommendations covering improvements in process, even where no loan is contemplated.

8. The nature and amount of any possible loan should be determined after the report of the commission is completed.

While the foregoing is an outline of the opinion of Messrs. Schulze and Ball, I understand that an extensive correspondence on the subject has been carried on directly between Mr. Guachalla and Mr. Schulze. The latter seems to think that an attempt may be made to secure a loan in advance of the commission's report and that such an attempt would only serve to delay matters.

In a letter dated the latter part of last August, Mr. Guachalla informed Mr. Schulze that it was the desire of the State Department that any loan to Bolivia for mining purposes should be handled through the Banco Minero.

The Economic Analyst of this Legation advises that he has seen the facilities which would be available here for the use of the technical commission. These consist of a fairly well equipped assay laboratory and a small experimental laboratory with limited equipment.

Respectfully yours,

DOUGLAS JENKINS

824.50/17 : Telegram

The Minister in Bolivia (Jenkins) to the Department of State

LA PAZ, September 11, 1941—11 a. m.

[Received 12:52 p. m.]

238. Referring to my telegram No. 225 of August 28, 11 a. m. [3 p. m.] and previous correspondence concerning economic collaboration in development of national resources of Bolivia, Minister of Foreign Affairs has again asked very earnestly that the United States Government make some public statement regarding progress of arrangements to send down technical commission and this commission come with as little delay as possible. The Minister says that criticism of delay is growing in and out of Bolivian Congress and he is most anxious to announce here as early as possible when technical experts may be expected to arrive. I hope that the Department will be able to telegraph me some message to give to Dr. Ostria Gutiérrez.

JENKINS

824.50/17 : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, September 13, 1941—8 p. m.

165. Your 238, September 11, 11 a. m. The Bolivian Minister presented on September 9 a memorandum accepting the plan of August 1 and a letter ^{70a} requesting the designation of a mining expert as soon as possible under point 4 thereof.

Instructions are being drafted for Vanderburg, mining expert now at Lima, to proceed as soon as practicable. Selection of the other experts under the program is proceeding and you will be informed promptly of definite progress in this respect.

HULL

824.50/19 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, September 18, 1941—4 p. m.

[Received 6 : 30 p. m.]

255. For the Under Secretary. Referring to my telegram No. 238 of September 11, 11 a. m., and Department's reply 165, September 13, 8 p. m., Dr. Ostria Gutiérrez continues to be very much concerned over the delay in appointment of technical experts for economic collaboration and has asked me to send you a personal telegram of which the following is the English translation:

"The sincere friendship which I had the honor and privilege of cultivating with Your Excellency during the Panama Conference of Foreign Ministers ⁷¹ as well as the knowledge of your sentiments of affection toward Bolivia, of which Your Excellency has given such unquestionable indications from your high official position, moves me to send you this message of a personal character for the purpose of asking you to intercede with your Government to the end that the economic cooperation which the Department of State of the United States has promised officially to Bolivia in the memorandum dated August 1, 1941, may be made concrete as soon as possible going from the stage of simple promises to that of effective reality in order that the national reconstruction of my country may be begun, a contribution being made at the same time to the greater bonds of friendship between our two peoples united already by reciprocal interests and by a common ideal of American solidarity. I take advantage of this opportunity to reiterate to Your Excellency the assurances of my highest consideration and decided friendship."

JENKINS

^{70a} Letter of September 9, addressed to Laurence Duggan, Adviser on Political Relations, not printed.

⁷¹ September 23—October 3, 1939; see *Foreign Relations*, 1939, vol. v, pp. 15 ff.

824.50/21 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, September 23, 1941—3 p. m.
[Received 5:03 p. m.]

262. For the Under Secretary. Referring to my telegram No. 255 of September 18, 5 [4] p. m., Dr. Ostria Gutiérrez says he would like to publish the text of his personal message to you in the hope of allaying somewhat criticism to which he continues to be subjected and asked if I thought you would object. I advised him to wait a day or two longer in anticipation of a reply from you and promised in the meantime to inquire whether or not you would consent to the publication of Ostria's message to you and your answer when it is received.

JENKINS

824.50/21 : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, September 27, 1941—7 p. m.

181. Your 255, September 18, 4 p. m., and 262, September 23, 3 p. m. You are requested to deliver the following message to Dr. Ostria Gutiérrez on behalf of the Under Secretary:

"Your Excellency's personal message of September 18 was awaiting me on my recent return to Washington. I heartily concur in your view that the development of the long-term plan of collaboration between our two countries which is envisaged in communications which have been exchanged between our two Governments and in the conversations which I have had the privilege of holding with the Bolivian Minister in Washington, Dr. Luis Fernando Guachalla, should be expedited. I wish to assure you that my Government is proceeding with all possible speed in the selection of the experts who will conduct the different surveys contemplated by our two Governments. A mining expert has already been selected and should reach Bolivia within the next few days. I hope shortly to be in a position to send you specific information regarding our progress in completing our share of the cooperative program upon which we have agreed and the carrying out of which is in my opinion destined to exert so beneficial an effect upon the economic relations between our two countries and upon the development of the national economy and national resources of Bolivia.

"I look back with great pleasure upon our association together at the meeting in Panamá of the Foreign Ministers of the American Republics and hope to have the privilege of continuing our friendly relations in the days to come."

You may also inform Dr. Ostria Gutiérrez that the Under Secretary perceives no objection to the publication of this exchange of correspondence. Please wire proposed date of release.⁷²

HULL

824.50/29 : Telegram

The Secretary of State to the Chargé in Bolivia (Dawson)

WASHINGTON, October 25, 1941—5 p. m.

204. Your despatch 1204, October 16, 1941.⁷³ Unless you perceive objection, please again endeavor to dissuade the Bolivian Government from sending a mission to the United States at this time to discuss the program of economic cooperation. The Department agrees with you that it is highly desirable to have the contemplated surveys completed and studies thereof made before definitive arrangements are discussed with representatives of the Bolivian Government.

Merwin L. Bohan, now Commercial Attaché at Bogotá, has been designated head of the economic mission and is being ordered to the Department for consultation preparatory to departing for La Paz at the earliest practicable date. It is planned that the mission ultimately will comprise a total of 7 experts, including 2 mining engineers, 2 highway engineers and 2 agronomists.

HULL

824.50/30

The Chargé in Bolivia (Dawson) to the Secretary of State

No. 1262

LA PAZ, October 28, 1941.

[Received November 4.]

SIR: I have the honor to refer to the Department's telegram No. 204 of October 25, 1941, 5 p. m., directing me to endeavor again to dissuade the Bolivian Government from sending a mission to the United States to discuss the program of economic cooperation before the completion of the contemplated surveys by the United States economic mission to be headed by Mr. Merwin L. Bohan and studies thereof.

In the course of conversations this morning with Dr. Eduardo Anze Matienzo, Bolivian Minister of Foreign Affairs, and Mr. Joaquin Espada, Minister of Finance, while I was presenting Mr. Philip W. Bonsal, Acting Chief of the Division of American Republics of the

⁷² In telegram No. 268, September 29, noon, the Minister reported that the date of release would be September 30 (824.50/26).

⁷³ Not printed.

Department, I took the opportunity to comply with the Department's instructions by pointing out that the economic mission would shortly be in Bolivia and that its careful and detailed studies would be necessary as a basis for adequate discussion of any program of economic cooperation.

In contrast to previous conversations some time ago with both men, I found them both completely receptive to the idea. Two factors were probably responsible for this change in attitude: (1) the fact that I have recently been able to give them concrete information as to the proximate arrival of the members of the mission, and (2) reports from Mr. Luis Fernando Guachalla, the Bolivian Minister in Washington, advising them that the way to handle the question of economic cooperation was not to make a request for a lump sum loan at the present time but to await the report of the economic mission. (Dr. Anze read us part of a letter from Mr. Guachalla which served to give this impression; Minister Guachalla's brother, Mr. Carlos Guachalla, has told me that he had received information from his brother that he was bringing pressure to bear on his Government in this sense.)

. . . The Minister of Finance went into an exposition of the Standard Oil case, giving in résumé some of the usual Bolivian criticisms of the Standard Oil Company for its "obstructionist" attitude during the Chaco War but stated that he had always held that, regardless of the failings of the company, a contract was a contract and that the question should be settled.

With regard to the question of the foreign debt, he explained in a reasonable manner why Bolivia had been forced to default on that debt: (1) because of the world-wide economic depression of 1930 and subsequent years, and (2) because of the continued financial difficulties of Bolivia as a result of having to fight a long and disastrous war with Paraguay. He made the interesting admission for a Bolivian official (I have never heard it from the lips of any Bolivian, although it coincides with the Legation's opinion) that Bolivia is in a relatively better economic condition than any other South American country as a result of its increased sales of its principal exports, minerals, at high prices. Mr. Espada stated that his primary object since being Minister of Finance was to improve Bolivia's financial position and increase its reserves of foreign exchange, having succeeded in bringing these up from \$6,000,000 or \$7,000,000 to \$14,000,000. He said that his objective was to make Bolivia's finances and currency situation thoroughly sound so that it could be in a position to meet its foreign obligations honestly on a necessarily modified basis in keeping with its capacity to pay.

Going on from this discussion, Mr. Espada said that he hoped to reorganize the Banco Central, the central government bank of issue, and to stabilize Bolivian currency. In this connection, he remarked that he hoped to get adequate advice on these subjects from Mr. Bohan; that he had thought of requesting assistance from Dr. Edwin W. Kemmerer⁷⁴ but that it seemed better to use the economic mission since it would make a thorough survey of all possible phases of economic cooperation. I ventured to comment that, while I was sure that Mr. Bohan would be glad to be of any possible assistance, his principal task would be to coordinate and direct the activities of the mission and he was furthermore a general economist rather than a banking and currency specialist. Mr. Espada said that he hoped that such a specialist might be a member of the mission.

It occurs to me that if the Department wishes to have the questions of central bank reorganization and currency stabilization considered in connection with the mission, it might be well to detail a specialist in these matters to serve with the mission. It is my understanding that the general question of Bolivian currency stabilization has already been taken up with the Department by the Bolivian Minister in Washington.

Respectfully yours,

ALLAN DAWSON

824.50/33

The Chargé in Bolivia (Dawson) to the Secretary of State

[Extracts]

No. 1326

LA PAZ, November 17, 1941.

[Received November 22.]

SIR: I have the honor to summarize below the Legation's general impressions concerning the program for economic cooperation between the United States and Bolivia, and the Bolivian attitude thereto. Some of these facts and considerations have been reported to the Department in a wide number of despatches under different headings while others are presented for the first time. It seems well, with the advent close at hand of the full personnel of the economic mission which is to study the possibilities of economic cooperation, to bring together in one despatch all pertinent information which has a direct bearing on the situation.

The basis for the proposed economic cooperation between the two countries is, of course, contained in the memorandum handed by the Department to the Bolivian Minister in Washington on August 1,

⁷⁴Professor at Princeton University and president of Economists' National Committee on Monetary Policy.

1941, and quoted in the Department's telegram No. 127 of August 1, 3 p. m., to the Legation. This memorandum was carefully worded to make it clear that the Government of the United States was prepared to have surveys made by competent experts and engineers of the needs of Bolivia for economic assistance as regards (a) improvement of communications, (b) expansion and diversification of agricultural production, (c) stimulation of mineral production by small miners and (d) stabilization of the Bolivian currency. It was clear from the memorandum to anyone who could read plain language (1) that no advance commitment was made to any specific project or for the loaning of any specific amount, (2) that the surveys would be the basis of recommendations as to individual projects by the mission proposed in the memorandum, and (3) that the United States would be prepared to extend financial and technical assistance only "for the execution of individual projects which are considered desirable, useful and practicable by both the Bolivian and United States Governments".

Bolivian Misinterpretation of Program of Economic Cooperation.

Unfortunately, nobody in Bolivia, even among the Cabinet officers, seems to have taken the trouble at the time to study the careful wording of the memorandum. All that was in the mind of anybody then was that the United States was ready to lend money to Bolivia and that bonanza was at hand. A Cabinet committee composed of the Ministers of Finance, National Economy, National Defense, Public Works and Labor was immediately formed to make plans for asking for a definite loan in short order instead of awaiting the surveys of the United States Economic Mission being sent to Bolivia in keeping with the Bolivian Government's acceptance of the program outlined in the memorandum. This committee got to work with a promptness almost unprecedented in Bolivian public affairs and presented a report to the full Cabinet on August 20, 1941.

The report suggested that a loan of \$80,000,000 be requested from the United States, \$30,000,000 of this amount to be made available in 1941 and \$25,000,000 each in 1942 and 1943. The Cabinet committee earmarked the proposed loan as follows:

- \$50,000,000 for the construction of railroads and highways throughout Bolivia.
- \$6,000,000 for assistance to agriculture and irrigation.
- \$2,000,000 for assistance in colonization.
- \$6,000,000 for industrial development.
- \$3,000,000 for assistance to small miners.
- \$1,000,000 for the establishment of an Agricultural Bank.
- \$5,000,000 for the establishment or extension of water systems and electric light plants in various cities.
- \$2,000,000 for a campaign against malaria and tuberculosis.
- \$5,000,000 for monetary stabilization.

The question of service of the proposed loan was disposed of neatly by the recommendation that the so-called additional tax on the exportation of minerals be hypothecated for this purpose. That this tax is almost half of Bolivia's total revenues and that its normal budget would thus be thrown out of kilter was brushed aside in the enthusiasm of the moment. While the recommendations of the Cabinet committee were supposedly confidential, the authors and their Cabinet colleagues were so excited at the auto-imagined prospects of real money to spend instead of Bolivia's annual budget of \$12,000,000 to \$15,000,000 that the whole plan was spread out in detail in the press on the following day.

It was apparently the intention to present this ready-made plan to the Economic Mission on its arrival which was then confidently expected at any moment. That the Mission is to be a technical one and not one empowered to decide upon the amount of possible loans was conveniently disregarded. The program was outlined in general terms to the Chamber of Deputies and Senate in secret sessions. When the Economic Mission did not immediately arrive, opposition members threw cold water upon the whole idea that the United States would lend Bolivia any such sum as was suggested by the Cabinet committee (Mr. Carlos Salamanca, member of the Chamber of Deputies had in the meantime written his opposition colleagues from the United States giving a more realistic picture of the possibilities of economic cooperation based on his conversations with Messrs. Sumner Welles, Laurence Duggan and other officials of the Department). It was this situation which appears to have largely caused the anxiety of the then Minister of Foreign Affairs, Dr. Alberto Ostria Gutiérrez, and his insistence that the Economic Mission be despatched post-haste (the Legation's telegram No. 225 of August 28, 11 a. m. [3 p. m.] et seq.).

A further example of the . . . tendency to jump at the slightest of possibilities and consider them as certainties occurred in connection with the memorandum concerning a possible survey of potential highways in Bolivia ⁷⁵ which was handed to the Bolivian Minister in Washington at the same time as the covering memorandum of August 1, 1941, concerning economic and financial cooperative measures in general. It will be recalled that the highway memorandum was based on suggestions of the Bolivian Government for the survey and construction or reconstruction of something over 11,400 kilometers of road network in Bolivia. The memorandum, prepared by experts of the Public Roads Administration, detailed the 11,400 kilometers of roads for which a survey was requested but commented upon the excessive cost thereof and recommended that the plan be substantially reduced to be "more in line with the possibilities for financing over a reason-

⁷⁵ Not printed.

able period of years in the near future." As might have been expected, the Bolivian authorities overlooked these recommendations, concentrated on the fact that the memorandum discussed the whole 11,400 kilometers, and spread the word that the United States was agreeing to finance the whole roads program. It was partly from this source that the idea of a \$200,000,000 loan in lieu of an \$80,000,000 one, discussed below, got its start.

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Repercussions of Bolivian Misinterpretation.

The original talk of an \$80,000,000 loan on the part of Cabinet officers has already had serious political repercussions and will probably have more when the financial cooperation program is finally worked out and it is found, as will undoubtedly be the case, that credits to be advanced are much smaller than the Administration led the country to believe would be the case. There is no question in my mind but that the thought that a big loan was to be forthcoming from the United States has encouraged the political unrest which has been apparent in Bolivia for the past two months and, specifically, was one of the indirect causes of the recent wide-spread strike which, as explained in the despatches reporting on it, was fomented by interests anxious to cause disturbances in the country for political reasons. As one of the Independent Socialist deputies has told me frankly, "If a large loan is to be spent in Bolivia, we want to control the Government when it is disbursed." Similar thoughts have undoubtedly prevailed among other political groups and among the Army elements which are always a danger to orderly government in Bolivia.

So far as the future is concerned, it can be imagined with what pleasure the opposition will attack the Government when it fails to produce the \$80,000,000 total and the Cochabamba-Santa Cruz Railroad which it promised. The lines to be taken will doubtless include allegations that the Government has not made the most of the "offers" by the United States of credits, that the opposition would have been much more successful, etc., etc. The dilemma into which the Bolivian Government has fallen and which will probably become worse because of the ineptness with which it has managed presentation of the whole question of economic cooperation is no direct concern of the United States. However, stability of Government is a desideratum in Bolivia both for our own interests and for the welfare of the country itself. The sad political mistakes which have been made may increase the chronic unsettlement of Bolivia. On the other hand, any kind of financial help will be a fillip to Bolivian economy and may serve to counteract the political attacks on the Government which can be expected.

Suggestions as to Program.

Before drawing this already lengthy despatch to a close, it seems well to make some comments on the actual administration of the program of economic cooperation when it finally gets into its stride. In the first place, the real need of Bolivia for financial assistance appears less than that of almost any other country in Latin America given the relative prosperity of the Government (the populace is, of course, poverty-stricken as it always has been) resulting from increased sales abroad at high prices of the minerals on which it depends for its revenues through taxation. However, it cannot be left out of the general program of continental economic cooperation for obvious international political reasons. Furthermore, a serious crisis will come to this improvident country after the War. The crisis will be of greater proportions than the present relative boom unless some steps are taken to cushion the lopsided economy of Bolivia by helping it to become more or less agriculturally self-sufficient instead of "eating its tin". While Bolivia has the funds to make at least a start in this direction on its own, there is not adequate vision or initiative in the country to accomplish the task and help is necessary if the objective is to be reached.

It is generally recognized by everyone who has made a study of Bolivia that the country's hope of escaping from its dependence on imports of food and other agricultural products, which would be endangered if its exports of minerals were to bring in substantially less cash than now, lies in the development of the subtropical eastern region of the country and specifically of the section around Santa Cruz. While there are other problems of grave importance involved in the opening up of eastern Bolivia, such as the obtaining of sufficient manpower for agricultural expansion, the main problem is that of communications with the region. Discarding the possibility of completing the Cochabamba-Santa Cruz Railroad at a cost of about \$35,000,000 as uneconomic, there remains the desirable objective of building a satisfactory all-weather highway, at a cost of probably between \$5,000,000 and \$8,000,000, to replace the present dry season trail.

It is the Legation's feeling that, if at all feasible, the Economic Mission should shortly after its constitution recommend the construction of this highway. Studies on which such a recommendation could be based exist in the reports of the United States Army engineers who were in Bolivia last year to study communications between Cochabamba and Santa Cruz and in surveys on which they in part based their work. The recommendation, a request by the Bolivian Government for the necessary credit and the granting of it by the Export-Import Bank would serve a number of purposes. The Bolivians are expecting some sort of financial aid from the United States in short

order. The Cochabamba-Santa Cruz or an alternative highway is almost certainly one project which we will eventually approve even if we take similar action on no other proposal. It is the construction most needed in Bolivia. To push it through quickly would convince the Bolivians that the Economic Mission signifies economic cooperation instead of being merely a fact-finding expert appraisal with no results, as they consider was the case with the studies of the railroad engineers, the geological survey earlier this year, etc., all of which have made them sceptical of economic aid. I discussed this matter with Mr. Philip W. Bonsal, Acting Chief of the Division of the American Republics, during his recent visit to La Paz and he shared my feeling that approval of the Cochabamba-Santa Cruz highway should be the first step in effective economic cooperation.

Once a definite decision is made in this regard, it would probably be best for the Economic Mission to take all necessary time in making recommendations on other projects. The Bolivian Government and people have more than a tendency, as has been indicated in the first part of this despatch, to consider the program of economic cooperation as a unilateral one of assistance from the United States to Bolivia, forgetting that Bolivia has outstanding economic problems with the United States which it should do something to settle, . . . It might be well to make haste slowly and to utilize the interim to remind the Bolivian Government tactfully that we have taken one step and that it is only fair to expect them to take one in return before we give any more assistance.

There is one further point in connection with financial assistance for Bolivia which the Department and the Export-Import Bank probably have thoroughly in mind but which it may be worthwhile to mention nevertheless. It is to be sincerely hoped that any credits to be granted to the Bolivian Government or its entities will be doled out in small amounts month by month as work progresses and that, in the case of such projects as roads, arrangements will be included to have an American technical man in charge so as to make certain that the project is properly managed with a check on the handling of disbursements. Entirely aside from the fact that this system will ensure greater efficiency (it can be said without fear of contradiction that there are no Bolivian engineers competent to manage a large-scale project) and lessen the chances of waste of funds, it will reduce the incentive to potential trouble-makers to foster a revolution, which will always be present if there are loan funds to be freely disposed of.

Respectfully yours,

ALLAN DAWSON

824.50/40a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, December 15, 1941—11 p. m.

265. The Minister of Bolivia has been consulted by the Minister of Foreign Affairs as to whether this Government will now carry through with the program of economic assistance.

Please inform the Minister that this Government is of the opinion that the economic survey now under way should be carried to completion with the utmost despatch in order that his Government's share in the program of economic cooperation, which it is desired to carry out, may be defined as rapidly as possible.

HULL

 NEGOTIATIONS FOR THE PURCHASE BY THE UNITED STATES OF STRATEGIC METALS FROM BOLIVIA ⁷⁹

811.20 Defense (M)/1078 : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, January 28, 1941—6 p. m.

11. Your 12, January 25, 3 p. m.⁸⁰ On January 8 the Minister of Bolivia⁸¹ presented a Memorandum to the Department⁸⁰ suggesting that the Bolivian Government would be glad to complete a 5-year agreement with the United States covering the Bolivian production of tungsten. The Bolivian Government would commit itself to organize production for a minimum annual exportation of 2,500 fine tons.

The Memorandum suggested that the contract be on the basis of the present price in New York.

At a meeting on January 24 the President of Metals Reserve Company⁸² indicated to the Bolivian Minister the willingness of the Company to buy the entire Bolivian production. The first offer was to take 2,500 tons (tungsten content) per year with an option to buy all production over that amount. The Minister thought this would not of itself assure increased production and Metals Reserve countered with an offer to take all Bolivian production up to 3,500 tons per year with an option to take any production over that figure.

No decision was reached at that meeting on price or term of the contract except to indicate that Metals Reserve was not disposed to contract for so long a period as 5 years. Metals Reserve and the

⁷⁹ For previous correspondence on the purchase of tin ore, see *Foreign Relations*, 1940, vol. v, pp. 524 ff. See also section entitled "Interest of the United States in Anglo-Bolivian tin negotiations," *post*, pp. 477 ff.

⁸⁰ Not printed.

⁸¹ Luis Fernando Guachalla.

⁸² The Metals Reserve Co. was a buying agency of the Reconstruction Finance Corporation under the Federal Loan Agency.

Defense Commission are anxious not to disturb the source of supply of the two domestic refineries of tungsten and are considering the contract with that problem in view.

All of the foregoing is known to the Bolivian Minister here but should be regarded as confidential.

HULL

811.20 Defense (M)/1518

*Memorandum of Conversation, by the Adviser on International
Economic Affairs (Feis)*

[WASHINGTON,] March 11, 1941.

The Bolivian Minister called at my request. I said that Mr. Clayton, Deputy Loan Administrator, and Mr. Charles B. Henderson, head of the Metals Reserve Company, had showed me the correspondence with him as regards the negotiations that have been taking place for the purchase of Bolivian tungsten. This correspondence seemed to bring the negotiations to an end.

I said that I had requested him to call in order to express to him my regret at the situation. This purchase arrangement was obviously of mutual advantage, and it seemed to me distinctly to be regretted that its consummation should be prevented by a small difference over price (which I had learned to be the fact).

I said that as I understood it, the Metals Reserve Company was offering to buy Bolivian tungsten production at \$16.50 per unit, and was offering a three-year contract to buy it at this price. This compared with an approximate pre-war average of \$9 a unit.

The Minister said that his Government too regretted the situation. The difficulty was that they were in no position to make the different mining interests accept the terms and all of them (he enumerated Aramayo,⁸³ Patiño⁸⁴ and Hochschild⁸⁵) were holding out for a higher price because they were currently getting \$17 in the New York market and for occasional small lots somewhat more; furthermore, they had a prospective market in the Far East. I said that his Government realized, and I should think it could bring it home to these mining interests, that our tin purchase contract and our plans for a smelter construction had been of distinct interest and advantage to them. For another matter, it strengthened their position in now dealing with the British and Dutch as regards the renewal of the International Tin Agreement—a matter on which the Minister had requested the

⁸³ Aramayo de Mines en Bolivie.

⁸⁴ Patiño Mines and Enterprises, Inc.

⁸⁵ Mauricio Hochschild, S.A.M.I.

assistance of this Government only a few days ago.⁸⁶ I said furthermore that if and as we could successfully negotiate this agreement on tungsten, this Government would be prepared to consider agreements for other metals of Bolivian production, such as antimony. Lastly, I said that the Bolivian mining interests would be coming to this Government for licenses to export machinery needed in their operations, and on this matter too they would expect to be favored.

I suggested to the Minister that he might cable the above observations to his Government with a request to bring them home to the mining interests and endeavor to win acceptance of the offer of the Metals Reserve Company. I said that furthermore the mining interests should recognize that a term contract over three years was of great advantage to them. He observed that the mining interests were "gamblers". I said that speaking wholly and solely on my own authority, I thought there was a chance the Metals Reserve might pay the \$17 on a two-year contract, but the present proposal seemed much more equitable and desirable.

The Minister again reiterated the difficulties in bringing the mining interests around to foregoing a possible pecuniary gain. He promised however to cable at once to his Government and endeavor to persuade his Government to make another effort to try to secure acceptance of the Metals Reserve offer, or an acceptable counter-proposal.

The above line of presentation was in accordance with talks with Mr. Clayton.

811.20 Defense (M)/1466

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 698

LA PAZ, March 11, 1941.

[Received March 19.]

SIR: I have the honor to refer to the Department's telegram No. 11 of January 28, 6 p. m., in regard to the negotiations for the conclusion of a tungsten contract between the Metals Reserve Company and the Bolivian Government or one of its agencies, and my despatch No. 614 of January 30, 1941,⁸⁷ commenting thereon.

It would be of assistance to the Legation if the Department could advise it of the present status of these negotiations. Various local mining interests seem to be in possession of information in regard to the matter, probably from the Bolivian officials concerned, and it would be helpful if the Legation were in a position to judge as to the accuracy of their statements.

⁸⁶ For correspondence regarding renewal of the International Tin Agreement, see vol. I, pp. 507 ff.

⁸⁷ Not printed.

According to the local mining interests mentioned, some progress has been made in Washington in regard to terms on the rough basis of a two or three years' contract for all Bolivian tungsten production and a price of approximately \$17 per unit. These sources also state that some at least of the small miners who sell to the Banco Minero, which in turn now sells to Japanese buyers, prefer to continue present arrangements with Japan as they now receive higher prices than they would under the proposed United States-Bolivian contract, disregarding the greater security inherent in the latter. However, as indicated in the last full sentence on page three of my despatch No. 614, the Bolivian Minister of National Economy⁸⁸ appears disposed to force small miners by means of a Decree to sell to the Banco Minero at a price to be fixed by it and thus make their production available under the proposed United States-Bolivian contract.

In connection with this general problem, it is understood that the Banco Minero has contracts with Japanese interests which run through next June so that the full amount of tungsten handled by it would apparently not be available for sale to the United States until after that time. It is also understood that the Banco Minero makes most of its Japanese sales to a Japanese combine composed of Mitsubishi, the Taibo Commercial Co., Itoh & Co., Sanwa & Co., and the Matsura Trading Co. The two German firms of Kyllmann, Bauer & Co. and Juan Elsner & Co., established in Bolivia, have been buying some tungsten ore from the Banco Minero, placed in port, and shipping it to Japan consigned to Sanyei Yoko. It is not clear whether the latter is the combine referred to.

It has been further learned that Bolivian tungsten going to Japan has recently been shipped in double bags, as reported in my despatch No. 696 of March 10, 1941,⁸⁹ to be understood to be the case with some shipments to the United States. This would seem an added indication, besides various others previously reported, that such ores are not retained in Japan but go on to a destination in Germany.

Respectfully yours,

DOUGLAS JENKINS

811.20 Defense (M)/1466: Telegram

The Acting Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, March 20, 1941—7 p. m.

19. Your despatch no. 698, March 11. The discussions regarding tungsten purchases between the Federal Loan Administrator⁹⁰ and the Bolivian Minister came to a pause over the matter of price. The

⁸⁸ Edmundo Vásquez.

⁸⁹ Not printed.

⁹⁰ Jesse H. Jones.

Federal Loan Administrator had offered \$16.50 per unit for all Bolivian production during the next 2 years and for the third year had offered market price with a minimum of \$14 and a maximum of \$16. The Minister stated that his Government found these terms not sufficiently favorable. He stated that his Government was apparently impressed with the opportunities for immediate sale in this country and elsewhere at a higher price.

The Department was reluctant to see this break in negotiations and therefore persuaded the Federal Loan Administrator to consider an improvement. It is now informed that on the 18th of March Deputy Loan Administrator Clayton told the Minister that if his Government would make an offer to sell for \$17 per unit during the first 2 years and on the terms described above for the third year Clayton would do his best to persuade the committee to accept. Nothing further has been heard from the Minister.

This information is for your background knowledge in order that you may clear up any mistaken or prejudicial reports. Within your discretion, also please do anything possible to induce the Bolivian authorities to make the suggested offer. According to the Minister, the difficulty lies with the mining interests rather than with the governmental authorities.

These mining interests should be cognizant of the general benefits accruing to them from the tin purchase contract and from the various other aids which this Government has been extending to Bolivia.

WELLES

811.20 Defense (M)/1497: Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, March 22, 1941—10 a. m.

[Received 2:15 p. m.]

34. Department's 19, March 20, 7 p. m. Opposition to proposed terms of tungsten contract comes not from large producers but from small tungsten miners who produce about 30% of Bolivian tungsten and who sell through Banco Minero and Hochschild to Japan for prices now as high as \$24 per unit. Argument advanced in last paragraph of Department's telegram does not appeal to them as most do not produce tin. They have little capital invested and higher immediate profits interest them far more than security over a period of years.

Unless opposition of tungsten miners can be overcome (it is not apparent how this can be done) and their production covered by proposed contract, result would be our getting only 70% of Bolivian production with remainder going to Japan as at present.

Three of four large producers envisage contract between Metals Reserve Company on the one hand and them and Banco Minero (later to cover production of small miners) as in case of tin contract and would strongly oppose contract solely between Metals Reserve Company and Banco Minero purporting to bind them.

Despatch follows.

JENKINS

811.20 Defense (M)/1497: Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, April 11, 1941—6 p. m.

32. Your 34, March 22, 1941. On April 8, the Deputy Federal Loan Administrator addressed the following letter to the Minister of Bolivia in Washington:

"I confirm telephone conversation in which I advised you that we accept the offer of your Government to sell to the Metals Reserve Company the entire Bolivian production of tungsten ore for 3 years (maximum 3,500 short tons in any one year) at the price of \$17 per short ton unit f.o.b. docks New York.

It is further understood, if the annual production of Bolivian tungsten during the period in question should exceed 3,500 short tons, the Metals Reserve Company is to have an option to purchase such excess at \$17 per short ton unit f.o.b. docks New York.

You have advised me that your Government has indicated its willingness to give the Metals Reserve Company an option for the purchase of Bolivian production of tungsten for a period beyond the 3 years herein contemplated.

We would like to have an option for the production of 2 additional years at \$17 per short ton unit f.o.b. docks New York, this option to be exercised not later than 2 years from the date of signing with your Government the contract herein contemplated.

I understand you are cabling to your Government our acceptance of its offer as above and that you will communicate to us your Government's confirmation of the transaction as soon as received.

We will be glad to meet with you at your convenience for the purpose of preparing a contract."

HULL

811.20 Defense (M)/1774

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 764

LA PAZ, April 17, 1941.

[Received April 22.]

SIR: I have the honor to refer to my despatch No. 753 of April 15, 1941,⁹¹ in the postscript to which is reported the willingness of the

⁹¹ Not printed.

Bolivian tungsten producers to accept a three year sales contract with the United States at \$17 per unit, and to report the following as an interesting indication of the pressure which certain interests may attempt to bring in order to discourage a final consummation of the contract.

From a source which is thoroughly reliable, but strictly confidential, the Legation has learned that cables urging intervention in order to prevent the signing of a contract which would provide for the sale of Bolivia's total production of tungsten to the United States were received today from Japan by some seven individuals and organizations. Four of the individuals receiving cables are in the Bolivian army, all of them except possibly one, however, are comparatively unimportant at the present time. The interesting feature in connection with these officers included in the list of those receiving telegrams is that they have all been in Japan at one time or another in an official capacity.

The Japanese Legation was of course a recipient of one of the cables, as was the Banco Minero, the message to the latter including the additional request that everything possible be done to reserve seventy tons of tungsten monthly for Japan. The final telegram on the list was sent to Mr. Vásquez, Minister of National Economy, indicating a lack of information by the Japanese as to his position in the matter, since it has been the Minister of Economy more than anyone else in Bolivia who has pushed the negotiations with the United States to the position where they now are, and who has brought the small miners into line.

Although it is not thought that these cables will have any effect at all upon the course of the tungsten negotiations, it is believed that the fact they were sent will be of interest to the Department as an indication of the concern with which Japan is apparently viewing the matter.

Respectfully yours,

DOUGLAS JENKINS

811.20 Defense (M)/1941a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, May 1, 1941—11 a. m.

43. The Bolivian Minister was asked to call at the Department subsequent to the telephone conversation between Clayton, Feis, and yourself.

The attempt was made to impress him, so that he might put the matter as completely as possible before his Government, with the fact that the Bolivian Government could fairly be asked to make a special

effort to conclude the sale of tungsten to us in the light of our many-sided present effort to contribute to Bolivian welfare, including recent discussions having to do with aid under the lease-lend bill.⁹² It was explained to him that the Federal Loan Administrator had been of the opinion that an effective agreement had actually been negotiated and had a natural sense of disappointment to find that he was now being pressed to make further offers at the risk of disturbing the whole market for tungsten.

The Minister was informed however that upon the urging of this Department the Federal Loan Administrator is prepared to increase his purchase price for tungsten. He was told that what the Federal Loan Administrator wished to ascertain was the price at which now the Bolivian Government would commit itself immediately and finally and that we wished to avoid any possibility that after improving the price on which our previous discussions had been based the matter might become the subject of still further uncertainty and bargaining maneuver. It was hinted to the Minister that the Metals Reserve Company would consider a price in the neighborhood of \$19 or \$20; it was evident that the Minister thought that his Government would be pleasantly surprised by this substantial improvement in the present arrangement.

HULL

811.20 Defense (M)/2213

The Bolivian Minister (Guachalla) to the Secretary of State

[Translation]

WASHINGTON, May 21, 1941.

EXCELLENCY: With the signature yesterday of an obligatory contract⁹³ for three years between Metals Reserve Company and the producers of Bolivian tungsten, the intention of which is to cover production in its entirety of that mineral in Bolivia, a second happy result has been reached—after the tin contract was signed in November last—in the plan of mutual economic cooperation which animates our respective Governments.

For this reason I have the honor to inform Your Excellency that my Government fully approves this contract and guarantees the fulfillment of its terms on the part of the various signers thereof. The said guarantee with relation to the shipments will be exercised in accordance with the usual administrative measures for keeping a

⁹² 55 Stat. 31.

⁹³ English text not printed; for Spanish text, see Bolivia, Ministerio de Relaciones Exteriores, *Boletín Oficial*, Mayo-Agosto 1941, número 7, p. 149.

check on exportation and Your Excellency is assured that their issuance in due time will prevent any misunderstanding.

I have added my signature to that of the producers of Bolivian tungsten in representation of the Banco Minero de Bolivia (the Bolivian Mining Bank) and by special instructions received from that important institution of my country which, in its turn, represents according to law numerous smaller enterprises in their relations abroad.

In expressing to Your Excellency my thanks for the valued cooperation which was constantly rendered me by the Department of State, I have the honor [etc.]

LUIS GUACHALLA

811.20 Defense (M)/2407a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, June 18, 1941—10 p. m.

82. Negotiations for the acquisition of the zinc and lead production of Bolivia will be begun in the near future with Mauricio Hochschild⁹⁴ who is coming to this country, arriving in Washington the end of June. The Metals Reserve Company desires to acquire the entire Bolivian production of antimony. It understands that the total production is about 11,000 metric tons of 65% concentrate, that this production is largely in the hands of small miners, and that exports to Japan are presently at the rate of about 5,000 metric tons per annum, the rest being exported to the United States and Great Britain. You are requested to telegraph whether these figures are correct and whether you believe that an agreement similar to that of the tungsten agreement is feasible. In this connection the Department emphasizes that antimony is much less important than tin and tungsten. Accordingly, if you anticipate that extremely high prices will be asked by the small producers in reliance on the tungsten precedent, it is better not to begin the negotiations as the Metals Reserve Company is not prepared to pay over \$90.00 per short ton of 65% concentrate at West Coast ports which is the prevailing New York rate less freight, or to enter into a contract for more than one year. It is requested that you consult with Altshuler⁹⁵ and telegraph the Department your recommendation as to whether it is worthwhile to begin negotiations on these conditions.

HULL

⁹⁴ Hochschild headed a Bolivian mining company that bore his name.

⁹⁵ H. I. Altshuler, interim representative of the Metals Reserve Company.

811.20 Defense (M) Bolivia/4a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, September 17, 1941—5 p. m.

169. Metals Reserve Company has been negotiating with Mauricio Hochschild and with the Bolivian Minister as the representative of the Banco Minero for the purchase of the entire production of Bolivian zinc, lead, and antimony. Contracts for the purchase of the entire zinc and lead production have now been agreed upon and both sides are ready to sign. An integral part of the arrangement is that there be control of exports of these products. Your despatch 999 [994] of August 12⁹⁶ indicates that the Supreme Decree described in paragraph 5 of the note from the Minister of Foreign Affairs is to be issued in the near future. It is accordingly suggested that you consult the Bolivian authorities and telegraph whether upon the signature of (1) the contract between Metals Reserve and Hochschild for the purchase of the Huanchacha zinc and lead; and (2) the contract between Metals Reserve, Hochschild and the Bolivian Minister as to the lead other than the Huanchacha lead, the Bolivian Government will

(1) Issue the Supreme Decree above referred to, and

(2) Exchange diplomatic notes with you whereby the Government of Bolivia will agree to prohibit the export of zinc and lead during the life of the contracts with Metals Reserve except to the United States, other American republics having systems of export control satisfactory to the Government of the United States, and the British Empire.

The negotiations for the purchase of the antimony are in deadlock because of price. Since the antimony production in Bolivia is widely scattered, it seems appropriate not to negotiate this contract with Hochschild. It is accordingly suggested that you consult with Altshuler, Metals Reserve representative in La Paz, and begin negotiations in collaboration with him with the Bolivian authorities looking forward to an agreement whereby the Metals Reserve Company will buy the entire antimony production of Bolivia at the current rate until February 1, 1943, except such part thereof as may be sold to Great Britain, provided that there be established immediately an export control system similar to that to be provided for lead and zinc prohibiting the export of antimony except to the United States, other American republics having satisfactory systems of export control, and the British Empire. In the negotiations with Hochschild here

⁹⁶ Not printed.

he suggested a price of \$2.05 per metric ton unit. Metals Reserve considers the highest which should be paid is \$1.95 per metric ton unit f.o.b. Arica and believes it should be possible to obtain a price of \$1.90.

The Department is informed that there have been various shipments of Bolivian tin to the Axis including shipments in June and July from the Banco Minero to itself at Kobe. In view of the purchase agreements with the Metals Reserve and the British, please attempt to obtain the inclusion within the export embargo referred to above of tin allowing it to go only to the United States, other American republics having export control systems satisfactory to the United States Government, and the British Empire.

HULL

811.20 Defense (M) Bolivia/4: Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, September 20, 1941—noon.

[Received 7:40 p. m.]

258. Department's No. 169, September 17, 5 p. m. Supreme Decree providing for control of exports as described in my despatch No. 994⁹⁷ was issued on July 31 and transmitted with my despatch No. 1018 of August 20.⁹⁷

Anticipate no trouble with regard to exchange of notes regarding zinc and lead except that Banco Minero wishes to be free to export lead to Argentina. Presumably this will be covered by clause concerning American Republics having systems of export control satisfactory to the Government of the United States but I would appreciate confirmation.

Question of prohibition of the exportation of tin may be complicated by fact that small exports which have recently been made to Japan are understood to be of ores not acceptable to Metals Reserve Company under contract. Does the Department wish me to try for a complete prohibition or would it be satisfied with exception for such ores.

Request prompt reply to above points so that I may be in a position to discuss exchange of notes with Foreign Minister.

Altshuler is away from La Paz and will not return for about a week. I assume the Department will forward detailed instructions as to desired clauses and terms of proposed antimony contract.

JENKINS

⁹⁷ Not printed.

811.20 Defense (M) Bolivia/4: Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, September 23, 1941—8 p. m.

175. Your 258 of September 20. Metals Reserve agrees that Banco Minero is to be free to export lead concentrates to the Argentine up to 400 tons monthly.

The Department is insistent that the exportation of tin be prohibited by the Supreme Decree, except to the United States, United Kingdom, and the other American republics having satisfactory systems of export control. If this embargo can be obtained without any commitment on the part of the Metals Reserve to buy the low-grade ores, it would be a most desirable solution. If you are unable to obtain this result, the matter will be taken up with the Metals Reserve with a recommendation from the Department that the low-grade ores be purchased.

A draft of the proposed antimony contract is being sent to you by air mail.⁹⁸

HULL

811.20 Defense (M) Bolivia/7

The Bolivian Minister (Guachalla) to the Secretary of State

WASHINGTON, October 4, 1941.

EXCELLENCY: I am pleased to inform Your Excellency of the signing of a contract for one year between Metals Reserve Company and the Banco Minero and Mauricio Hochschild, S.A.M.I., dated October 2, 1941,¹ covering all Bolivian lead ores and concentrates except as specified. I am informed that other agreements have been executed by Mauricio Hochschild, S.A.M.I., and the Metals Reserve Company covering the output of the Huanchaca mine of lead and zinc ores and concentrates.² I have the honor to inform Your Excellency that my Government fully approves these contracts and guarantees the fulfillment of the provisions of the first named contract.

I have added my signature to the contract to which the Banco Minero is a party in accordance with special instructions received

⁹⁸ This contract was signed on March 18, 1942, by representatives of the Metals Reserve Company, the Banco Minero and Mauricio Hochschild (811.20 Defense (M) Bolivia/112).

¹ English text not printed; for Spanish text, see Ministerio de Relaciones Exteriores, *Boletín Oficial*, Septiembre-Diciembre 1941, número 8, pp. 69-76.

² These were embraced in two contracts dated October 2 and September 29; for the Spanish texts, see *ibid.*, pp. 76-93.

from that important institution in my country which in turn represents according to law Bolivian enterprises in their relations abroad.

My Government will effect the necessary control over exports by prohibiting the export of zinc and lead, in accordance with the authority granted to the Minister of Finance by the decree of the Constitutional President of the Republic promulgated July 31, 1941, except to the United States or to purchasers in the other American republics having parallel systems of export control.

Please accept [etc.]

LUIS [FERNANDO] GUACHALLA

GOOD OFFICES OF THE DEPARTMENT OF STATE IN NEGOTIATIONS REGARDING AN AGREEMENT BETWEEN THE GOVERNMENT OF BOLIVIA AND THE STANDARD OIL COMPANY³

824.6363 St 2/523

Memorandum of Conversation, by the Acting Chief of the Division of the American Republics (Bonsal)

[WASHINGTON,] March 14, 1941.

The Bolivian Minister⁴ came in at his own request at 11 a. m.

He informed me that the Bolivian Senate is now actively debating the Standard Oil question and that there is a very good chance that the Minister will be authorized before March 31 to engage in official conversations with representatives of the Standard Oil Company looking to a solution of the problem.

In order to create a favorable atmosphere in Bolivia the Bolivian cabinet, and especially the Foreign Minister, Dr. Ostria Gutiérrez, is publishing some of the "*antecedentes* of the question".

In this connection it is desired to publish a personal exchange of letters which took place in May 1937⁵ between Secretary Hull and the then Bolivian Minister of Foreign Affairs, Dr. Finot. The Minister told me that he understood this publication had already been arranged for and that he expected the material would be available to the press today or tomorrow (I am informed that a story based on these two letters appeared in this morning's New York *Herald Tribune*).

The Bolivian Minister also told me that it was planned to publish the texts of three telegrams in non-confidential code of which two were from the American delegation at Panama to the Department

³ Continued from *Foreign Relations*, 1940, vol. v, pp. 513-523.

⁴ Luis Fernando Guachalla.

⁵ For text of letter from Secretary of State Hull, see telegram No. 14, May 7, 1937, 1 p. m., to the Minister in Bolivia, *Foreign Relations*, 1937, vol. v, p. 284. Text of reply is not printed, but see telegram No. 30, May 16, 1937, 4 p. m., from the Minister in Bolivia, *ibid.*, p. 289.

and one from the Department to the American delegation at Panama.⁶ According to the Minister, copies of these were handed to him or to Dr. Ostria by Dr. Feis⁷ at Panama. These telegrams deal with the consideration of a \$2,000,000 loan to Bolivia⁸ and tend to demonstrate that, *in the conversations between the Bolivian delegates and our delegates at Panama* no mention was made of the Standard Oil matter as having a bearing on whether or not the loan would be granted. I plan to tell Dr. Guachalla that it would be preferable to publish this material in some other form than that of telegrams actually exchanged between the Department and its delegation at Panama. The material itself is innocuous; it merely shows a disposition on our part to study sympathetically Bolivia's alleged economic problems caused by the outbreak of the war.

Late in the afternoon I had an opportunity of examining the file containing the exchange between Secretary Hull and Señor Finot in May 1937. In view of the fact that the Secretary's message was "personal and confidential" I telephoned the Bolivian Minister and stated that in my opinion it would be better for there to be no publication until the Secretary had been consulted. I stated that this observation of mine was in no sense based upon the contents of the Secretary's message but rather upon its character. The Bolivian Minister said that he would immediately telegraph La Paz along the lines of my remarks but that it was his impression that it was now too late to prevent or delay this publication.

824.6363 St 2/519 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, March 15, 1941—2 p. m.

[Received 5:02 p. m.]

28. Referring to my telegram No. 26 of March 14, 2 p. m.⁹ I called at the Foreign Office this morning at the request Dr. Ostria Gutiérrez who referred to discussions in Bolivian Senate of Standard Oil matter and especially to publication of Secretary Hull's personal letter to Minister Finot and other confidential documents.

⁶ For correspondence concerning the meeting of the Foreign Ministers of the American Republics held at Panama September 23–October 3, 1939, see *Foreign Relations*, 1939, vol. v, pp. 15 ff.

⁷ Herbert Feis, Adviser on International Economic Affairs; adviser at the meeting of Foreign Ministers of the American Republics, Panama, 1939.

⁸ For correspondence regarding proposed extension by the United States of financial assistance to the Government of Bolivia, see *Foreign Relations*, 1939, vol. v, pp. 313 ff.

⁹ Not printed.

Dr. Ostria Gutiérrez said he consulted Minister Guachalla as to the advisability of publishing this correspondence and that Guachalla had first replied affirmatively but later telegraphed not to do so because Department would not approve. Dr. Ostria Gutiérrez said unfortunately publication has already taken place. He greatly regretted this and asked me so to telegraph Department. He did not explain however why he failed first to instruct Guachalla to ask the Department's consent before publication.

The Minister added that the Cabinet had decided to lay the entire Standard Oil matter before the Senate and Bolivian public in the hope that a settlement might thus be facilitated. He said he expected Senate to request Government to begin negotiations with company.

I told the Minister I would of course telegraph the substance of his remarks and at the same time I expressed the hope that publication of the confidential documents would not cause Secretary Hull undue embarrassment.

JENKINS

824.6363 St 2/525 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, March 27, 1941—3 p. m.

[Received 4:45 p. m.]

39. Meetings are scheduled tonight of newspaper workers and several other unions in sympathy with demonstrations which took place yesterday of taxi drivers' and mechanics' union protesting against alleged interference by Standard Oil Company in Bolivian affairs. About 350 taxi drivers and mechanics paraded through streets to Plaza Murillo and speeches were made in front of legislative building, but there was no disorder. These demonstrations are obviously designed to deter the Government from making any concessions in proposed settlement in the Standard Oil case and are doubtless instigated by Radical-Socialist elements, probably with German support.

As reported in my despatch 705 of March 13¹⁰ the Standard Oil case has been under discussion in both the Senate and Chamber of Deputies and yesterday afternoon the Senate adopted a resolution approving in a general way the Government's policy toward the Standard Oil case, although it is not clear just what the policy is. Discussions are still continuing in the Chamber of Deputies where there is much more opposition to the administration and the outcome is uncertain.

Although Minister of Foreign Affairs and other Ministers have made lengthy statements on the Government's policy in relation to

¹⁰ Not printed.

the Standard Oil case, they had said little or nothing calculated to build up a friendly understanding for us in the minds of the Bolivian people and I fear that little has been accomplished in these debates. Despatch follows by air mail.¹¹

I hope to see the Foreign Minister this afternoon when I shall take advantage of the opportunity to discuss these developments.

JENKINS

824.6363 St 2/533

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 731

LA PAZ, March 28, 1941.

[Received April 7.]

SIR: I have the honor to refer to my despatch No. 726 of March 27, 1941,¹² and especially my telegram No. 39 of March 27, 3 p. m., concerning the opposition to the Government's plan to settle the Standard Oil case, and to report that another demonstration of labor organizations is scheduled for Thursday, April 3. This will doubtless be much larger than the first, but the Government does not expect any disorders.

I had an opportunity to discuss the situation this afternoon with Dr. Ostria Gutiérrez at the Foreign Office. The Minister had just come from the Chamber of Deputies where he had been answering a series of questions put by deputies opposed to the Government's plan for negotiating a settlement of the Standard Oil case. He was obviously very tired and, I thought, rather discouraged.

He said the public demonstration of the day before of the chauffeurs' and mechanics' union was doubtless instigated by socialists of whom there were many who had supported the Busch regime. These people were now followers of Major Belmonte (The Department will recall that Belmonte is actually in exile although nominally serving as Bolivian Military Attaché at Berlin) and are a dangerously radical lot, he said. During the debate one of the deputies, the Minister said, talked of revolution if the Government agreed to pay any indemnity to the Standard Oil Company.

According to Dr. Ostria Gutiérrez, fifteen members of the Chamber have already given notice of their intention to speak on the Standard Oil case and the Minister did not know how long the discussion would continue. He seemed to fear it would last another ten days or two weeks, and declared more than once that it would be difficult to bring the question to a vote, although he seemed to feel that if there were a vote the Government would have a majority.

¹¹ Despatch No. 726, March 27, 1941, not printed.

¹² Not printed.

The Minister asked me to explain to the Department that he had found it necessary to deal very frankly during the debate with both the Senate and the Chamber and had referred to all phases of the Standard Oil controversy, but that in doing so he had endeavored to present the matter fairly, both from the point of view of Bolivia and of the United States. He mentioned Secretary Hull's confidential letter to Dr. Finot and he said he had explained to the deputies that the Secretary had adopted this plan of communicating with the then Bolivian Foreign Minister because he did not want to allow the slightest impression that our Government was threatening Bolivia or demanding compensation for the Standard Oil Company.

With regard to the attitude of the radical deputies, the Department may be interested in a conversation Dr. Oreamuno (of the Inter-American Development Commission now in Bolivia) tells me he had a day or two ago with Dr. Baldivieso, formerly Vice President in the Busch Government. According to Mr. Baldivieso, there was very serious opposition in the Bolivian army to any cash settlement of the Standard Oil case and if the Government continued in its plan to settle the matter in that way, there was danger of revolution. Mr. Baldivieso said he was not in the same political party as President Peñaranda, but he was personally very friendly with him and had recently told the President the situation would be serious if the Government continued its policy with regard to the Standard Oil matter.

As the Department knows, Mr. Baldivieso was treated with scant respect by the Quintanilla regime¹³ which refused to permit him to succeed to the Presidency, as he had a right to expect at the time of President Busch's death. He is generally regarded as a weak unimportant person but there may be some foundation for what he has had to say regarding the attitude of certain groups in the Army. On the whole the Ministers concerned in the Standard Oil controversy seem to feel that the Government will finally win out, although there may still be a good deal of talk in the Chamber and more street demonstrations.

Respectfully yours,

DOUGLAS JENKINS

824.6363 St 2/534

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 739

LA PAZ, April 4, 1941.

[Received April 14.]

SIR: I have the honor to refer to previous correspondence concerning the Congressional debate on the Standard Oil case and its results,

¹³ Gen. Carlos Quintanilla assumed executive power on August 23, 1939, following the death of President Germán Busch; see *Foreign Relations, 1939*, vol. v, pp. 307-308.

particularly my despatches Nos. 726 and 731 of March 27 and 28, 1941, respectively.¹⁴

The debate has now been going on in the Chamber of Deputies, for about a week, after the conclusion in the Senate with a vote of approval of the Bolivian Government's policy in the matter. The Minister of National Economy informed me yesterday that he thought the Chamber debate would last another fortnight.

As was the case with the Senate debate, the Ministers of Foreign Affairs, Finance and National Economy¹⁵ have had to be present in the Chamber for hours daily with consequent prejudice to their handling of regular administrative tasks. The same ground has been gone over in much the same manner as during the Senate debate. There have, however, been certain differences in stress.

In the first place, there has been so much attack on the Standard Oil Company from non-Government sources in the course of the debates and in the press, that the Cabinet officers have gone beyond their original stand that nobody was trying to defend the Standard Oil Company and have taken some of the ground out from under their opponents' feet by attacking the Company fairly bitterly themselves. In this connection, it may be well to express my opinion that, whatever the rights and wrongs of the case, practically everybody in Bolivia, including the most conservative elements, is convinced of the alleged crimes of the Standard Oil Company and that it would be a practically impossible task to alter their beliefs in this respect.

As an example, the Minister of Foreign Affairs, certainly as honest a supporter of collaboration with the United States as there is in Bolivia, yesterday sent me a copy of a pamphlet entitled "Defraudation, History of an Oil Enterprise in Bolivia", as containing a fair statement of the Standard Oil case, the viewpoints of which he shared. This article first appeared in the September-October [1939] number of *Bolivia*, a magazine published under the auspices of the Bolivian Consul General in New York, as a reply to a booklet entitled "Confiscation" circulated by the Standard Oil Company of Bolivia, and presents a pretty thorough indictment of the Company.

As a corollary to this increased antagonism to the Standard Oil Company itself, there has been an increase in the stress laid on the economic factor, i.e., the securing of loans from the United States, as the main and almost sole reason for a settlement. In an interesting exposition to the Chamber on April 1, 1941, for example, the Minister of Finance stated clearly that if a settlement of the Stand-

¹⁴ No. 726, March 27, not printed.

¹⁵ Edmundo Vásquez headed the latter two Ministries.

ard Oil question was arrived at Bolivia could expect loans from the United States. He said, in part (Legation's underlining¹⁶):

"The Standard Oil's claims have been put forward unofficially by the Department of State as a result of our request for economic cooperation. Those who think we should not request this help from the United States should ask themselves where we can find the necessary resources within our own economy. The public of Santa Cruz would protest energetically if it learned that it would be impossible to finance the railroad joining it to Cochabamba. I inquire what other manner there may be for financing this railroad. Let us not delude ourselves. Neither can Tarija think of developing itself without a railroad by which to export its raw materials. *If we get \$25,000,000*, we can care for these and other vital necessities such as the road to Fortín Campero, communications between La Paz and the Beni, etc., which we cannot handle with our own scanty resources. *I repeat that, if we had these resources in sufficient quantity, we should not have to make a settlement with the Standard.*"¹⁷

As has been reported before, the Government spokesmen have given the impression in their explanations that a loan for the construction of the Cochabamba-Santa Cruz Railroad is a foregone conclusion if the Standard Oil case is settled. In keeping with this the Minister of Foreign Affairs has so far suppressed the facts in the report of the two United States Army engineers¹⁷ on the feasibility of constructing the Railroad, forwarded to him by the Bolivian Minister in Washington. He and his Cabinet colleagues have erroneously tried to make it appear that the report was favorable. . . .

Another alteration in emphasis in the Cabinet officers' presentation of their case before the Chamber as compared with their statements to the Senate has been their assurance that no definite settlement has yet been considered and that if and when any is decided upon it will be submitted to Congress for its approval. This is an apparent change in attitude as the original idea of the Bolivian Government seems to have been to get what would in effect be advance approval and then work out the details itself without the new *ad referendum* feature which has now been introduced.

Aside from his part in trying to make it appear that loans from the United States will be forthcoming if the Standard Oil case is settled, the Minister of Foreign Affairs, in his statements to the Chamber, has shown a somewhat more satisfactory approach to the problem than in the Senate. He went out of his way to defend the position of the Department, stating that the allegation in the *petición de informe* to which the Ministers are replying that the Depart-

¹⁶ Printed in italics.

¹⁷ Not printed; for summary of report, see despatch No. 562, January 6, 1941, from the Minister in Bolivia, *Foreign Relations*, 1940, vol. v, p. 553.

ment is imperialistic is unfounded. However, he went too far in this defense, having asserted that :

“The Department of State not only has not adopted the Standard’s arguments but has not even disputed the Supreme Court decision but instead has respected it, consequently neither supporting nor assisting toward the return of the ex-concessions of the Standard; this has been explicitly stated by the Department and confirmed to me by the Minister of the United States to Bolivia.”

I know of no proper basis for this statement and certainly did not give the confirmation which the Minister alleges I did.

One point should perhaps be made in regard to the Foreign Minister’s releasing of confidential documents and references to confidential conversations and negotiations which have been mentioned in previous despatches. I believe that his broad intentions in this respect have been good whatever the apparent disregard of normal diplomatic courtesy. He is in a position where his opponents are going to use every bit of ammunition they can to attack the Government and the idea of a settlement. With the leaks which inevitably take place in Bolivian Government offices, it is probably better for him to release the actual wording of communications and give his own account of negotiations and conversations than to have these brought up in a distorted manner by opposition Congressmen with the necessity for rectification later. As in the case of publicity in other countries, an original statement, accurate or erroneous, has more effect in Bolivia than a later correction. The Foreign Minister has thus seemingly felt that full publicity was the best strategy.

For example, he recently brought up the question of the representations by Ambassador Armour in Buenos Aires last year, under instructions from the Department, in regard to the Argentine-Bolivian negotiations for the utilization by Argentina of Bolivian oil. His statements on this point were not covered in the official Chamber summary of his remarks but persons who were present during this stage of the debate state that he gave the impression that the Department had disavowed any intention of interfering in a bilateral matter between Argentina and Bolivia, which is hardly accurate. However, as stated above, I believe that in this particular phase he is doing his best in a most difficult problem. He is in the position of trying to defend an unpopular policy and to show that the United States Government is not the devil his opponents would like to pretend. What would appeal to the American man in the street and to his Bolivian counterpart toward this end are as far apart as the two poles. Since he is dealing with a Bolivian, not an American, audience, he naturally colors his arguments to appeal to it.

As has been stated in earlier despatches, the bitter opposition to a settlement of the Standard Oil question has come from the left-wing

groups, the Unified Socialists who are allied with ex-President Toro as well as the Independent Socialists with their national socialist trend of thought. These groups and the newspapers supporting them, which are doubtless partly financed by German sources, have concentrated on the totally false thesis that settlement of the Standard Oil case means return of the seized properties to that Company, which has not been advanced by the Bolivian Government forces in any way as a desideratum and which, so far as is known, is not even desired by the Company.

The opposition forces incited the mass meeting of labor unions in opposition to the Government's Standard Oil policy scheduled for last night and mentioned in my despatch No. 731. This was, however, banned by the Government yesterday and was not held. The leftist deputies introduced a *petición de informe* calling on the Minister of Government to explain at a special session of the Chamber last night why the ban had been placed on the meeting. The session was not, however, held because of the lack of a quorum.

The announced meeting caused considerable concern in quarters supporting the Administration. In this connection, the Executive Committee of the new Government-supporting coalition of conservative and center political parties, the National Democratic Alliance, formation of which was reported in my despatch No. 718 of March 20, 1941,¹⁸ on April 2, 1941, issued a manifesto to the public, published in yesterday morning's press, which reads as follows in translation:

"The Parties which form the National Democratic Alliance consider it their duty to address themselves to the People to warn them against a covert agitation on the part of audacious groups which wish to sow chaos in the Republic and again get control over its destinies.

"In recent days, these agitators have taken as their banner the question of the Standard Oil, spreading rumors in the street, in the daily press and in Parliament that what is being considered is the return of the petroleum wealth of the Sovereign Bolivian State to the Standard Oil. This calumnious version has already been denied repeatedly by the Ministers of State, by the President of the Nation himself and by representatives of the different parties in the Senate and Chamber of Deputies. Nevertheless, it continues to serve as an instrument to arouse street passions. There are in circulation at this very moment criminal incitations, couched in sensational verbiage, calling on the People for a public demonstration 'against delivery of our petroleum and treason to the Fatherland'.

"It is the duty of every citizen to defy these instigations, behind which lurk ambition and anarchy. Nobody is thinking of despoiling Bolivia of its petroleum wealth. The agitation provoked by these unbridled groups may launch Bolivia into chaos and affect its future."

¹⁸ Not printed.

As can be seen from the above, the Standard Oil question has become a political football which is being used for purely partisan purposes in a completely unfair manner. The allegations in the manifesto that the left-wing opposition is utilizing the Standard Oil case in order to attempt to create a false impression in the public and to take advantage of this for its own selfish ends seem to be fully substantiated. It has been brought out by the Cabinet officers, in their testimony, that the present Bolivian Administration has followed the directives on the Standard Oil question laid down by the very deceased President, Germán Busch, who is pointed to by large sectors of the leftist opposition as their idol. This fact is, however, conveniently brushed aside or ignored by the opposition.

It is unfortunate that the bringing up of the Standard Oil case at this time, by unilateral action of the Bolivian Government, without any suggestion or pressure on our part, should have the effect it has had but this is perhaps inevitable in Bolivia where petty political designs play a far more important role in the thoughts and actions of most politicians than do questions of national need or benefit. The situation has, however, been made worse by the bad generalship and lack of courage of the Government forces on the whole in presenting their arguments. Fortunately, they have recently been more vigorous in their approach. While the present agitation has its elements of danger, it seems probable that it will blow over as similar affairs have in the past. The success of the Government in banning the meeting scheduled for yesterday without any material trouble arising is an indication that it may be getting the situation into hand.

This political situation is, of course, an internal Bolivian matter. It is, nevertheless, unfortunate that the agitation should revolve around a question in which the United States is involved. Furthermore, it has an inevitable effect of weakening a Government, which, for all its vacillation, is more friendly to the United States by far than the nationalistic and radical opposition, part of which is under German influence.

As has been remarked before, the most unfortunate aspect may come if and when Congressional approval for a policy of settlement of the Standard Oil case is obtained. Should a settlement be reached, the very Cabinet officers who have been presenting the Government's case have so weighted their arguments as to convince the Bolivian public that, in return for a small cash payment to the Standard Oil Company, Bolivia will get very substantial loans from the United States.

Such loans can hardly be justified either on the grounds of Bolivia's capacity to pay, since it is now in default on American loans to the total of \$100,000,000 in principal and arrears of interest with no con-

crete steps whatever yet taken for adjustment, or on those of real need, since Bolivia is the one Latin American country which is today in a better economic position than at the outbreak of the European War. Its exports have increased and it is getting a better price for tin and other products.

Unfortunately, these considerations are not apparent to the average Bolivian who knows only that the United States through the Export-Import Bank has extended loans to other Latin American countries, but not to Bolivia. No thought is ever given whether loans are really needed or how they are to be repaid. The general attitude may be summarized in the statement of one of the most enlightened of the Cabinet officers to Mr. Warren Lee Pierson, President of the Export-Import Bank during his recent visit to Bolivia, "What is our share (*Cuánto nos toca a nosotros*)?" The general feeling is distinctly that economic cooperation would mean cash in hand for Bolivia from the United States. Should loans not be forthcoming for Bolivia after a Standard Oil settlement, anti-American agitators will have excellent ammunition, given the peculiar Bolivian mentality. Our friends in the Bolivian Cabinet are placing us in a most difficult position, I fear, and I don't see just how we are going to be able to counteract it.

As I have tried to make clear in previous despatches, I am not averse to a sensible loan to Bolivia for real needs, such as improvement in communications which could form part of or connect with the Pan American Highway, as a measure of intercontinental solidarity, but I do feel that every effort should first be made to bring a proper understanding into the presentation of the problem locally. A \$25,000,000 loan, as suggested by the Minister of Finance, seems beyond the bounds of common sense under existing conditions in this country. It is regrettable to have to admit that the debate in the Congress seems to have done more harm than good to our relations with Bolivia, and even if the Government gets a favorable vote in the Chamber, it is evident the radicals will continue their opposition to any settlement involving a cash payment to the Standard Oil Company.

Respectfully yours,

DOUGLAS JENKINS

824.6363 St 2/542

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 788

LA PAZ, April 28, 1941.

[Received May 5.]

SIR: I have the honor to refer to my despatch No. 739 of April 4, 1941, concerning the debate in the Bolivian Chamber of Deputies on

the Standard Oil question, and to report that in the course of a conversation on various matters I had with Dr. Ostria Gutiérrez at the Foreign Office on April 26, he mentioned this case especially, and said he was afraid the Department did not realize what a serious matter it was in Bolivia and how bitterly the people generally and Army officers especially hated the company. He had done his best, he declared, to bring about a settlement, but one could see how difficult it was to do so. He felt the Department was too severe in the attitude it had adopted regarding loans, and said he was going to write a letter to Minister Guachalla in his own handwriting explaining the situation, and asking him to beg the Department if possible to put the Standard Oil case aside for the present so that the Government here would be in a better position to strengthen its relations with the United States. While Dr. Ostria Gutiérrez and the other Ministers undoubtedly have managed the Standard Oil proceedings in Parliament very badly, I really believe they did the best that they could, or at least the best to be expected of them, and I confess I agree with Dr. Ostria Gutiérrez that feeling against the company is very bitter indeed, and will probably continue to be so for a long time to come unless something can be done to clear up the fog now surrounding the whole affair.

The radical and German-bribed press has been using the Standard Oil as a basis for frequent attacks against Ostria Gutiérrez and other members of the Cabinet, and of course this does not help American-Bolivian relations. The Government means well, and, I am sure, would gladly settle the case along the lines the Department wishes, but it is a feeble and easily frightened Government and the opposition is much stronger than was expected. Moreover, this opposition is encouraged and assisted in every possible way by the Germans who are bent on destroying American influence in this part of the world, if they can.

Dr. Ostria Gutiérrez's troubles in trying to settle the Standard Oil case are largely of his own making . . . At the same time, it does not seem wise on our part to allow a troublesome question like the Standard Oil case to remain open like a festering sore, if any means can be found to dispose of it, or ease it in some way. Of course if the Chamber follows the example of the Senate and approves the administration's efforts to reach a settlement with the company, matters should clear up without any help on our part, but should the Chamber fail to take action before adjournment the end of this month, the whole question will be left open and in worse condition, from our point of view, than before the discussions in Congress started.

If this does happen, and I fear it will, it has occurred to me the Department may wish to consider some plan to put the position of our

Government in a more favorable and truthful light in the eyes of Bolivians than it seems to be at present. For the moment, I confess I have no idea just what could be done except, perhaps, that the Department may give out a statement of a conciliatory sort and emphasizing that there is no economic boycott of this country, as has been alleged in some of the pro-German newspapers. I do not wish to suggest the Department should abandon its stand to discourage economic loans pending a settlement of the Standard Oil case, but only that something be done to try to alleviate the unfortunate impression now prevalent in Bolivia as a result of the discussions in Congress. Some such announcement might strengthen the hands of those friendly to us in the Government and tend to create a healthier atmosphere in American-Bolivian relations generally, which is highly desirable at this time.

Respectfully yours,

DOUGLAS JENKINS

824.6363 St 2/543

The Minister in Bolivia (Jenkins) to the Secretary of State

No. 801

LA PAZ, May 5, 1941.

[Received May 12.]

SIR: In connection with my despatch No. 788 of April 28, 1941, concerning the Standard Oil case, I now have the honor to report that the Bolivian Congress adjourned on April 30 without any action having been taken by the Chamber of Deputies on the Government's proposal to settle this matter.

I called at the Foreign Office on May 3rd about another question, and I took advantage of the opportunity to mention the Standard Oil case to Dr. Ostria Gutiérrez. I pointed out that the Chamber had failed to vote on the Government's plan and asked him what he thought would now be done toward a settlement. The Minister shrugged his shoulders and said he did not know. The Government had done everything it could, he said, to try to arrange for a settlement, but without success and he believed it would be best for all concerned if the case could be allowed to rest "until the end of the war".

While I do not think the Department should abandon its position in insisting upon some sort of settlement, I am prepared to admit I entertain little or no hope that the present regime will do anything more in the case, and I am inclined to agree with Dr. Ostria Gutiérrez that we may just as well let it rest in abeyance until there are changes in the personnel of the Cabinet which may lead to the expectation of a more vigorous policy in the foreign affairs of Bolivia.

As I pointed out in a previous despatch, the difficulties of the Minister of Foreign Affairs are increased by the fact that German influence is brought to bear on the radical opposition in parliament and the pro-Nazi press and everything is being done by these elements to frustrate the Government's plans for better relations with the United States. The administration lacks the courage and determination to put up a vigorous fight, and I am inclined to suggest that, while the policy of discouraging ordinary loans is continued, it may be a good idea to look with favor upon loans for the construction of certain highways and also perhaps to assist the Army in the purchase of equipment.

I do not wish to suggest, however, that loans of this sort should be made without the most careful consideration, and if money is advanced for the construction of highways, for instance, I believe it should be provided that the work would have to be done under the direction of American engineers and all machinery and supplies purchased in the United States. And as to a possibility of a loan for military purposes, it goes without saying that we should first be sure of the friendliness of the Bolivian General Staff and leading officers before any steps could be taken in that direction. Granted the proper conditions, I believe that assistance in the construction of highways in this country would tend to build up a friendly feeling for us amongst the Bolivian people, and, as has been already pointed out by the Legation, everything within reason should be done to win the good will of Bolivian army officers who are the most important political factor in Bolivia at this time.

I should be glad to know whether or not the Department considers these suggestions at all feasible.

Respectfully yours,

DOUGLAS JENKINS

**INTEREST OF THE UNITED STATES IN ANGLO-BOLIVIAN TIN
NEGOTIATIONS¹⁹**

824.6354/309

The British Embassy to the Department of State

BOLIVIAN TIN ORE CONTRACT

Negotiations between the British and Bolivian Governments for supplies of Bolivian tin ore now seem to be approaching finality and

¹⁹ For previous correspondence regarding the interest of the United States in the Bolivian tin industry, including references to British interest in Bolivian tin, see *Foreign Relations*, 1940, vol. v, pp. 524-548.

the text of a draft agreement will shortly be telegraphed to La Paz. In the agreement it is proposed to insert a clause reading as follows:—

“The Government of Bolivia undertakes to ensure that, if the export quota of Bolivia under the International Tin Restriction Scheme²⁰ is reduced below the level of 130 percent at present ruling, then the tonnage of tin metal in the ore to be made available for export from Bolivia to the United Kingdom shall bear the same proportion to the total exports of tin metal permitted to Bolivia under the International Tin Restriction Scheme as exports to the United Kingdom bear to the total Bolivian exports during the twelve months ending June 30, 1941.”

It is believed that this clause is in accordance with the understanding of the British Embassy with the State Department and the Metals Reserve Company, and with the intention of Article 2 of the Metals Reserve Company's contract with Bolivian producers,²¹ but the British Government would be glad to have confirmation of this before telegraphing text of the agreement to La Paz.

It would be appreciated if the Embassy could be enabled to reply to this enquiry urgently.

WASHINGTON, February 6, 1941.

824.6354/309

The Department of State to the British Embassy

MEMORANDUM

In view of the fact that present Bolivian tin production falls considerably short of the permissible export quota for Bolivia now obtaining under the International Tin Restriction Scheme (130 per cent of standard tonnage), it would be possible for the permissible export quota for Bolivia to be substantially reduced without requiring a reduction in the present level of Bolivian production. In such circumstances, however, the formula suggested in the British Embassy's Memorandum of February 6, 1941 might actually result in an obligation on the part of Bolivia to deliver a larger proportion of its production to British smelters than it will deliver in the twelve months ending June 30, 1941. Correspondingly, unless it were possible to increase production, Bolivian producers would be unable to fulfill their obligations to Metals Reserve Company, although actual

²⁰ See vol. I, pp. 507 ff.

²¹ Contract not printed. Copies were transmitted to the Department by the president of the Metals Reserve Company with letter of November 4, 1940, *Foreign Relations*, 1940, vol. v, p. 546.

Bolivian production would not have been decreased by any action of the International Tin Committee.

It is not believed that this was the intent desired to be accomplished by the formula proposed. The difficulty referred to above would be avoided were the clause to be worded as follows:

"In the event that the export quota of Bolivia under the International Tin Restriction Scheme is reduced below the amount of present Bolivian production, then the tonnage of tin metal in the ore to be made available from Bolivia to the United Kingdom shall bear the same proportion to the total exports of tin metal permitted to Bolivia under the International Tin Restriction Scheme as exports to the United Kingdom bear to total Bolivian production during the twelve months ending June 30, 1941."

The foregoing suggestion is parallel to the language and intention of Article 2 of Metals Reserve Company's contract with Bolivian producers, and would have as its effect the assurance that at the present level of Bolivian production or at any lower level, Bolivian exports would be divided in roughly equal amounts between the United Kingdom and the United States.

WASHINGTON, February 7, 1941.

811.20 Defense (M)/1225

The British Embassy to the Department of State

With reference to the State Department's memorandum of February 7th, the British Government point out that the International Tin Restriction Scheme is based on exports from Bolivia and not on production. It is therefore proposed that the clause in question should read as under, a wording which closely follows that proposed by the State Department:

"The Bolivian Government shall insure that if permissible exports from Bolivia under International Tin Restriction Scheme in any twelve months period from July 1st to June 30th are less than the total exports from Bolivia during the twelve months ending June 30th, 1941 the tonnage of tin metal in ore to be made available from Bolivia to United Kingdom shall be in the same proportion to the total exports of tin metal permitted to Bolivia under the International Tin Restriction Scheme as exports to United Kingdom bear to total Bolivian exports during the twelve months ending June 30th, 1941."

It is hoped that this wording will be acceptable to the State Department.

WASHINGTON, February 14, 1941.

811.20 Defense (M)/1222a : Telegram

The Secretary of State to the Minister in Bolivia (Jenkins)

WASHINGTON, February 15, 1941—2 p. m.

12. The British and Bolivian Governments are evidently engaged in negotiating an agreement regarding the exportation of Bolivian tin to the United Kingdom. In this connection they have submitted the following clause for comment by the Department:

[Here follows the quotation in the British Embassy's memorandum of February 14, printed *supra*.]

The foregoing clause is entirely acceptable in principle to the Department as closely paralleling the similar clause in the United States-Bolivian tin agreement. Before replying, however, the Department desires certain factual information as to the formula suggested which uses exports in the 12 months ending June 30, 1941 as the base period. This is the first full year of the United States-Bolivian tin contract but the Department understands that because the agreement was retroactive for a part of the period, some of the small and medium producers continued to ship to the United Kingdom until approximately January 1, 1941. The Department would therefore like to receive your opinion as to whether for the 12 months in question Bolivian tin exports to the United Kingdom will be substantially in the ratio which was envisaged when the United States contract was concluded—i. e., that slightly over half of total Bolivian exports would move to the United Kingdom.

Reply is requested as promptly as possible.

HULL

811.20 Defense (M)/1223 : Telegram

The Minister in Bolivia (Jenkins) to the Secretary of State

LA PAZ, February 16, 1941—6 p. m.

[Received 9:18 p. m.]

16. Department's 12, February 15, 2 p. m. Negotiations referred to have been under way in La Paz since late October as indicated in my despatch No. 579, January 13 and Department's instruction No. 145, January 31²² but are not likely to be concluded before end of February. British representative has kept Legation fully informed in general but has never mentioned clause in question.

Legation's impression is that, if quotas were reduced, clause as drafted would result in the United States receiving substantially

²² Neither printed.

less than half of Bolivian tin production because of continuation of exports to Great Britain during the last half of 1940 by some exporters who are now selling to the United States. Ratio originally envisaged would probably be assured if basis of formula were changed to exports in 6 months ending June 30, 1941 or 12 months ending December 31, 1941 inasmuch as the current semester is the first in which the effects of United States-Bolivian tin contract have become fully operative. It is to be hoped that the Department will request such a change in the clause if it desires ratio maintained. Otherwise second sentence of paragraph 2 of United States-Bolivian tin contract may conflict with British clause.

Figures by countries of destination on exports of tin from Bolivia for second half of 1940 have not been made public but I will endeavor to obtain them and submit further report by telegraph. In their absence I estimate that British clause might result in reduction of American receipts to as low as one-third of Bolivia's exportation instead of contemplated ratio of almost 50%.

JENKINS

811.20 Defense (M)/1225

The Department of State to the British Embassy

MEMORANDUM

With reference to the British Embassy's Memorandum of February 14, 1941 transmitting the proposed text of an article for a United Kingdom-Bolivia tin ore agreement, the Department of State submits the following comments:

1. The Department is, of course, entirely agreeable in principle to the article in question and to its objective.

2. It appears, however, that the precise language of the suggested article may still fail to achieve the objective sought. Some Bolivian exporters who are now selling to Metals Reserve Company under the contract of November 4, 1940 did, during the last half of 1940, continue to export to the United Kingdom. The second half of 1940 therefore scarcely represented a typical period in the operation of the newly concluded contract of Metals Reserve Company, and it is not certain that this deviation will be entirely evened out in the first six months of 1941. If the basis of the formula suggested in the Embassy's note were changed to refer to Bolivian exports in the six months ending June 30, 1941, or in the twelve months ending December 31, 1941, it is believed that any difficulties of this nature would be obviated.

WASHINGTON, February 21, 1941.

824.6354/308

The Secretary of Commerce (Jones) to the Secretary of State

WASHINGTON, March 13, 1941.

DEAR MR. SECRETARY: Mr. C. B. Henderson, a Director of the RFC and President of Metals Reserve Company, has received from Dr. Herbert Feis, Adviser on International Economic Affairs, copy of a proposed British agreement with Bolivia covering the exportation of tin ores.

The proposed agreement is clearly an attempt on the part of the British Government to prevent Bolivian tin ores from coming to this country after five years. In my view, the British should be advised that any such arrangement would not be in keeping with the friendly relations existing between our two countries.

We are investing a large amount of money in a smelter to treat these ores

- (1) to aid Bolivia in getting dollar exchange with which to meet its financial problems, and
- (2) to get a supply of tin which we must have for our own use and to aid Britain.

I hope you will advise the British that any agreement on their part which will prevent our securing Bolivian tin ores sufficient to manufacture 18,000 tons of fine tin a year for as long as we want to buy it will not be satisfactory to the United States Government.

Sincerely yours,

JESSE H. JONES

811.20 Defense (M)/1489: Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 21, 1941.

[Received 1:28 p. m.]

1120. For Feis. The British Treasury is concerned about the request of the Metals Reserve Company, made through the Department, that the conclusion of its negotiations with Bolivia for a payments agreement be postponed and it would very much appreciate if the matter could be given immediate consideration by us. The British Treasury has written informally to the Embassy recounting the history of its negotiations and the concluding two paragraphs are as follows:

"In October the Treasury and the Bank of England sent out to La Paz a special representative, J. Phillimore, who has been carrying

through the negotiations with all the Bolivian interests concerned. On the 14th February all the material points of difference having at last been composed, we sent him, at his request, a draft text of the inter-governmental agreement and we sent a copy at the same time to Washington for communication to the State Department.

"Things were boiling up for the moment of signature and Phillimore was making arrangements for his departure to Buenos Aires when we received from Lord Halifax a telegram saying that he had been approached by the State Department who told him that the M.R.C. had been studying the draft text of our agreement and 'would greatly appreciate ample further opportunity to consider its bearing on American plans before it is concluded.' You will appreciate the very embarrassing position in which this request places us. Throughout the negotiations we have tried to keep in touch with Washington and we sent our Embassy the draft of our complete agreement as much as 5 weeks ago. An interruption of the negotiations at this eleventh hour might quite easily undo our efforts over the last 8 months and wreck the whole agreement. It was extremely difficult to find a wording which, to the lawyer's eye, safeguards in cast-iron form the interest of the Bolivians, the M.R.C., and ourselves, but looking at it from the practical point of view, one can say in three words that we have every desire to recognize the requirements of the M.R.C. and to collaborate fairly and sportingly with them and that, once the Bolivian factor is eliminated, and the agreement signed, any dubious points as between the M.R.C. and ourselves could be quite appropriately and conveniently covered by notes exchanged at Washington. We do not know yet precisely in what articles of the draft text the M.R.C. see grounds for misgiving but in all honesty we can say that we have not the faintest thought of stealing a march on them, and that our only urgent desire at this moment is to tie up the Bolivian output (i.e. as I have said above between the United States and the United Kingdom) so that at least the triangle becomes a straight line and the M.R.C. and ourselves can work out points of detail without reference to South America."

WINANT

811.20 Defense (M)/1489

The Department of State to the British Embassy

MEMORANDUM

Reference is made to the British Embassy's memoranda of February 17, March 4, and March 7, 1941,²³ transmitting for the information of the Department of State and for any comments which the Department might care to make, the draft text, as amended, of the proposed United Kingdom-Bolivian agreement on tin ore. The opportunity thus afforded for comment in advance of conclusion of the agreement is highly appreciated as is also the friendly spirit which has animated the several informal explanations of purpose which have been ad-

²³ None printed.

dressed to the Department and to the American Embassy in London. In this same spirit the following observations are made in reply:

1. It appears that the purpose of the agreement is to ensure that all Bolivian tin ores and concentrates not exported to the United States would be exported only to the United Kingdom. In the light of the present state of emergency in both the United States and the United Kingdom, this is an objective in which the United States Government entirely concurs.

2. Does it not appear to the British Government that this purpose would be effectively accomplished, while at the same time eliminating certain other questions raised by the agreement which would otherwise call for detailed comment on the part of the United States Government, if Article 1 were amended to read somewhat as follows:

The Bolivian Government shall by all means in their power ensure that the whole of the Bolivian output of tin ore of high, medium, or low grades which is not now under contract for exportation to the United States will be made available for shipment to smelters in the United Kingdom or in the United States . . .

3. The purpose of the foregoing suggestion is merely to make clear to the three Governments concerned that the contract of November 4, 1940 between Metals Reserve Company and certain Bolivian producers is not to be regarded as fixing the absolute maximum of Bolivian ores that might be obtained by the United States regardless of what circumstances may arise in the future.

4. If the flexibility suggested above were to be introduced into the agreement, Article 10 would then become at least partly inconsistent with the revised Article 1 and, it is believed, could be safely omitted entirely. The contract of Metals Reserve Company of November 4, 1940 provides for reduction in the amounts of ores and concentrates to be acquired by Metals Reserve in the event of reduction of permissible Bolivian exports under the International Tin Control. The permissive nature of the language on this point has been a matter of concern to the British Government and the United States Government is entirely willing again to record its intention that the language shall be interpreted as mandatory rather than merely permissive. In these circumstances there would be no question of Metals Reserve purchases absorbing more than their proportionate share of the Bolivian output and it would automatically ensue that the remainder would be available to British smelters except as agreement might have been reached to provide additional amounts to the United States.

5. In referring thus to possible additional quantities of Bolivian ore to be made available to the United States, the Government of the United States has at this time no specific thought or purpose in mind.

In view of the unusual disturbances in world production and trade, it is readily apparent, however, that the United States Government might at some time in the future desire to approach the British Government for an arrangement by which it might have an option on some of the ores contracted for by British smelters in the same way that it has willingly given a corresponding option to the British Government.

6. It goes without saying, of course, that the United States Government would anticipate that no contracts concluded by British smelters under the terms of the British-Bolivian agreement would operate in any manner to prevent the fulfillment by Bolivian producers of the terms of the agreement of the Metals Reserve Company of November 4, 1940, or any renewal thereof. The United States Government is, as is known, engaged in constructing a smelter to treat Bolivian ores. The decision to take this step was based on considerations of national defense, and in the present circumstances these considerations are of importance to the United Kingdom as well as to this country. Further, the erection and operation of this smelter is intended as a continuing activity in the United States and not merely as a temporary activity in the present emergency. It is quite possible that the effective life of the proposed British-Bolivian agreement might extend beyond the period of Metals Reserve Company's contract and the United States Government would, of course, expect that nothing in the British-Bolivian agreement would operate to prevent a renewal of the American contract beyond its present term.

WASHINGTON, March 25, 1941.

800.6354/279

The British Embassy to the Department of State

AIDE-MÉMOIRE

We appreciate the friendly spirit in which the State Department have put forward the observations in their memorandum of March 25th.

We are sure that the State Department will appreciate our anxiety over our supplies of Bolivian tin ore which, up to the end of last year, had always been shipped almost wholly for smelting in the United Kingdom. Our position was fully explained by the British Embassy to the State Department last October. Quite apart from our natural desire to support a great industry, the maintenance of deliveries from Bolivia is of paramount importance during the war emergency as a valuable supply of metal and a means of conserving dollars.

For these reasons we were very greatly concerned at the news of the conclusion of the Metals Reserve Company contract in November,

which meant a serious cut into this supply and these dollar assets; and we welcomed the assurance of the United States Government that they had no intention of taking more than a maximum of 18,000 tons per annum and would share with us any fall in exports necessitated by decisions under the tin restriction scheme. We do not therefore clearly understand paragraph 3 of State Department memorandum of March 25th.

We had no other consideration in mind when drafting the text of our agreement with the Bolivian Government and we can immediately reply to the questions contained in paragraphs 5 and 6 of the State Department memorandum of March 25th. In the conditions set out in paragraph 5 we should always be ready for full and cordial discussion with the United States Government, bearing in mind our necessity as to the supply of tin and dollars and our regard for our smelting interests and the long-established tin trade with Bolivia. As to paragraph 6, we fully recognise that the Metals Reserve Company smelter is a permanent undertaking and that the company will wish to reserve the right to renew their contract. We have had no thought, nor do we desire in any way to prejudice, such renewal.

As to paragraphs 1, 2 and 4, our primary object was to ensure that all Bolivian tin which did not go to the United States was secured for the United Kingdom. It is important to note that the assurance of the United States Government referred to in paragraph 3 above operates only vis-à-vis the Metals Reserve Company. It does not bind the Bolivian Government, nor the Bolivian producers, under their contract with Metals Reserve Company. For their maximum of 18,000 tons remains irrespective of the decisions by the International Tin Committee as to the total permissible exports from Bolivia, so long as the total is above 18,000 tons. In other words, if Bolivian exports were 18,000 tons, all of that would be sent to the United States under the existing contract; the United Kingdom would then get nothing. We doubt whether this vital point has been appreciated and it constitutes our primary reason for including Article 10 in our draft agreement. If the wording proposed in paragraph 2 of State Department memorandum of March 25th and the omission of Article 10 suggested in paragraph 4 were accepted we should have no guarantee, apart from the smelting contracts with individual Bolivian producers, for what they are worth, that any tin at all would come to the United Kingdom. That would be an impossible position.

We were able to persuade Patiño²⁴ to conclude the long-term contract with United Kingdom smelters because he was satisfied that he had no alternative outlet; we have met him to the limit of our resources but we fear he would not scruple to tear up his contract if he saw the opportunity of better terms with the United States, and

²⁴ Simón I. Patiño, president of Patiño Mines and Enterprises.

the wording which the State Department memorandum proposes would, we think, provide that opportunity.

In the light of the assurances given by the Metals Reserve Company that they have no intention of increasing their imports from Bolivia, and with this explanation of our position, including our ready acceptance mentioned above of the views expressed in paragraphs 5 and 6 of the State Department memorandum, we trust that their objection to our Articles 1 and 10 will be withdrawn.

In communicating the foregoing message, the Commercial Counsellor of the British Embassy enquired whether a satisfactory solution could not be found in the omission of the words "or in the United States" from Article 1 (as amended in paragraph 2 of the State Department memorandum) and the re-instatement of Article 10 as last revised; together with an exchange of notes covering the agreement reached with regard to paragraphs 5 and 6 and all other outstanding points.

WASHINGTON, April 3, 1941.

800.6354/280

*Memorandum of Conversation, by the Assistant Adviser on
International Economic Affairs (Stinebower)*

[WASHINGTON,] April 8, 1941.

Participants: Mr. Jesse Jones, Federal Loan Administrator.
Mr. Feis.
Mr. Stinebower.

Mr. Feis briefly reviewed the background of Anglo-American relations on tin in connection with the negotiation of Metals Reserve Company's contract with Bolivian producers and in connection with the British-Bolivian tin negotiations.

He then gave Mr. Jones a copy of the Department's Memorandum of March 25 to the British Embassy embodying the request, suggested by Mr. Will Clayton, Deputy Loan Administrator, that the British-Bolivian agreement be simplified so that it would merely provide that all Bolivian tin not supplied to Metals Reserve under its contract of November 4, 1940 would be exported only to smelters in the United Kingdom or in the United States.

He then added that the British had now come back again with an *Aide-Mémoire* of April 3 dissenting from this suggestion.

Mr. Jones read part of the Department's Memorandum of March 25 and reiterated concurrence with the position expressed therein and expressed his dissatisfaction with the continued insistence of the British in this matter. He said that while this Government was

engaged in giving extensive assistance to the British Government, the British on their part in this matter "kept nibbling at us like young ducks". He said that he would reread with care the Memorandum of March 25 and would look over the British Memorandum of April 3, which he was informed is badly muddled, and added that he would be very glad to express his point of view directly to the British Ambassador or to Sir Frederick Phillips²⁵ if they cared to call on him, as Sir Owen Chalkley²⁶ had indicated to Mr. Feis that they might.

800.6354/265

The British Embassy to the Department of State

MEMORANDUM

Reference is made to the State Department's memorandum of March 25th, 1941, regarding the proposed United Kingdom-Bolivian Agreement on tin ore, and to subsequent exchanges of views with the State Department, particularly at the meeting which the Commercial Counsellor of the British Embassy had with the Deputy Federal Loan Administrator on April 10th.²⁷

The Embassy has now been informed that the British Government accept the amendments to the draft Agreement suggested at that meeting by the Deputy Federal Loan Administrator and that the British Minister at La Paz has been instructed to incorporate them in the Agreement. These amendments are:—

(1) Insertion of words "or to the United Kingdom" after the words "to the United States" in Article 1 of the Agreement as worded in paragraph 2 of the State Department memorandum of March 25th.

(2) Retention of Article 10 of the Agreement as revised in the Embassy's memorandum to State Department of March 7th²⁸ with the addition of a provision that the Article applies only to the period of the Metals Reserve Company's contract. For this purpose the words "at any time during the period ending June 30, 1945" have been inserted after the commencing words of the Article "The Bolivian Government shall ensure that if . . .".

In order to conform to the wishes of the State Department for the retention of the words "or in the United States" in Article 1, the British Government have also agreed to add the same words after "in the United Kingdom" at the end of Article 4.

At the request of the Bolivian Government, Article 8 of the Agreement has been omitted and will form the text of notes to be exchanged concurrently with the signature of the Agreement.

²⁵ British Treasury representative in the United States.

²⁶ Commercial Counselor in the British Embassy.

²⁷ No record of this meeting found in Department files.

²⁸ Not printed.

The only other material alteration in the text of the Agreement as communicated to the State Department with the Embassy's memorandum of February 17th²⁹ is the insertion in Article 1 after the words "ensure that" of the words: "apart from such specified amounts as shall from time to time be agreed between the two contracting Governments". The British Government agreed to this insertion on insistent pressure from the Bolivian Government who urged that there existed in Bolivia small smelters capable of producing up to 5000 tons of fine tin annually and that other smelters now under construction in the country would have a capacity of 3000 tons, while very small quantities of tin ore were occasionally shipped to small smelters in Argentina.

WASHINGTON, April 25, 1941.

800.6354/265

The Department of State to the British Embassy

MEMORANDUM

Reference is made to the British Embassy's memorandum of April 25, 1941 transmitting the information that the British Government has accepted the amendments to the draft United Kingdom-Bolivian Agreement on tin ore which was suggested at the meeting held by the Deputy Federal Loan Administrator and the Commercial Counselor of the British Embassy on April 10, and that instructions had been issued to the British Minister at La Paz to incorporate appropriate verbal changes in the agreement.

The Department of State is gratified that it has been possible to reach this full agreement between the British and the United States Governments.

It is noted that the only substantive change in the text of the agreement beyond the points referred to above is the insertion in Article 1 after the words "ensure that" of the words: "apart from such specified amounts as shall from time to time be agreed between the two contracting Governments". The United States Government has no desire to comment upon this amendment other than to record its understanding that the release of the specified amounts would in no way affect the tonnage which Metals Reserve Company would be entitled to receive from Bolivia in the event of a reduction of permissible Bolivian exports to a level at which the pertinent provisions of Article 2 of the Metals Reserve Company contract of November 4, 1940 and Article 10 of the United Kingdom-Bolivian Agreement would become operative.

WASHINGTON, May 22, 1941.

²⁹ Not printed.

BRAZIL

COOPERATION BETWEEN THE UNITED STATES AND BRAZIL ON CERTAIN MEASURES FOR HEMISPHERE DEFENSE¹

810.20 Defense/403½

The Secretary of State to the Chargé in Brazil (Burdett)

No. 1044

WASHINGTON, January 7, 1941.

SIR: You are requested to inform the Government of the United States of Brazil that the War Department has received a memorandum entitled "Bases for the Establishment of an Agreement of Cooperation between the United States of North America and Brazil", handed to representatives of that Department by General Góes Monteiro, the Chief of Staff of the Army of Brazil, on October 29, 1940.²

The text of the proposed agreements contained in this memorandum has been carefully studied by the appropriate officials of the War Department in pursuance of which this Department has received a letter from the Secretary of War^{2a} recommending that the Brazilian Government be informed that his Department considers them generally satisfactory as a basis for mutual cooperation between the Armies of Brazil and of the United States in Hemisphere Defense. The War Department, however, prior to recommending a definitive acceptance of these proposed agreements desires to obtain certain changes in the text. These modifications are set forth in the accompanying memorandum.³ They have received the approval of this Department.

¹ Continued from *Foreign Relations*, 1940, vol. v, pp. 40-52. For an official narrative account of the 1941 negotiations, see Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, in the series *United States Army in World War II: The Western Hemisphere* (Washington, Government Printing Office, 1960), pp. 279-313.

² This document provided that if any member of the Pan American Union were attacked by an extra-Continental nation, Brazil would aid by furnishing raw materials, extending the use of its naval and air bases in existence or in building, permit the transit of its territory by friendly powers, strengthen its military establishment by building more air and naval bases, improving its coast defenses, mobilizing its fighting force, and organizing its interior ways of communication and its war industries. For its part the United States was to undertake to guard the north and northeast coast, assist in Brazil's acquisition of war materials, receive raw materials in payment for manufactured products, and provide technical aid to Brazilian engineers and workmen. Brazil reserved to itself a neutral status in conflicts limited to countries of North America, and those between powers of the Pan American Union. (810.20 Defense/403½)

^{2a} Letter dated December 3, 1940, from Secretary of War Stimson not printed.

³ Not printed.

You will, therefore, please state to the Brazilian authorities that the War Department wishes to discuss these proposed changes by means of further staff conversations to be held preferably at Washington with such representative as the Brazilian Government may designate. It would appear in this connection that the presence in the United States of General Amaro Bittencourt ⁴ may be considered to afford a suitable opportunity for such conversations.

The War Department also states that it would appreciate it if in addition to authorizing a continuation of the staff conversations with the Chief of the United States Military Mission in Brazil ⁵ the Brazilian Government would designate a representative authorized to discuss the same matters with the representatives of that Department in Washington. The War Department will, of course, keep the Chief of the United States Military Mission in Brazil fully informed of the matters discussed and the action taken as a result of the staff conversations which take place here.

Very truly yours,

For the Secretary of State:
SUMNER WELLES

810.20 Defense/535‡

The Chargé in Brazil (Burdett) to the Secretary of State

No. 4149

RIO DE JANEIRO, January 28, 1941.

SIR: I have the honor to refer to the Embassy's despatch No. 4100 of January 16, 1941 (File No. 830), ⁶ concerning the staff conversations held between representatives of the Brazilian and United States Navies.

A note was sent to the Ministry of Foreign Affairs on January 13, 1941, and a copy transmitted to the Department with the above-mentioned despatch. This note requested information on the action taken on the agreements reached in the staff conversations. I have called several times at the Foreign Office in an endeavor to expedite a reply to this note.

In the meantime, Captain A. T. Beauregard, United States Navy, Chief of the United States Naval Mission to Brazil, has conferred with the Minister of Marine. Captain Beauregard has handed to the Embassy a memorandum concerning this conference. Copies are transmitted herewith. It is requested that a copy be sent to the Navy Department.

Respectfully yours,

WILLIAM C. BURDETT

⁴ Brazilian Military Attaché in the United States.

⁵ Col. Lehman W. Miller.

⁶ Not printed.

[Enclosure]

Memorandum by the Chief of the United States Naval Mission to Brazil (Beauregard) to the Chargé in Brazil (Burdett)

On January 27, 1941 in an interview with the Minister of Marine that official showed the Chief of Naval Mission the substance of his reply to a question from the Foreign Office as to what was being done to make ready for execution the provisions of the Staff Conversations, which in effect was mainly as follows:—

(a) Studies and plans were being developed in all the subjects mentioned in the Staff Conversations.

(b) Inability to receive war material at any early date from the United States retarded the development of preparedness.

(c) The Minister of Marine, himself, planned to visit the North of Brazil on a cruiser to determine the material required for the development of facilities and defenses at Belem and at Natal, and for the militarization of Fernando Noronha and Trinidad.

(d) The Foreign Office was urged to use diplomatic means to secure promise of release and delivery of needed war material from the United States.

(e) An officer had been sent to the United States to cooperate in the preparation of codes and ciphers for Pan-American use. (Note:—Lieut-Comdr. Harper of the Naval Mission has already prepared a cipher based on the International Signal Code which is available for sudden emergency use).

The Chief of Naval Mission impressed upon the Minister of Marine the following opinions:—

(a) Brazil was not as seriously alarmed over the world situation as perhaps she should be.

(b) Brazil seemed more concerned over future economic independence than immediate preparedness.

(c) If Brazil were suddenly attacked, the defenses should be such as to hold out until reinforcements from the United States could arrive.

(d) Reinforcements arriving should have safe and protected anchorages to which to proceed.

(e) Captains of the Ports did not at present possess even armed tugs with which to enforce any regulations.

(f) Information was to the effect that nothing had been done toward manufacture or acquisition of submarine nets.

(g) The development of Brazilian-made torpedoes would probably take several years and the destroyers now being built might upon completion find themselves without torpedoes. The Minister stated that he did not like Bliss torpedoes, and that even if he did, only old Marks could be supplied and not the latest models.

(h) The Brazilian Ministry of Marine should keep the United States Government constantly informed of the revised items it desired to obtain by purchase, because changed conditions might at any time make certain material suddenly available.

The Minister of Marine was asked if a copy of the Naval Staff Conversations⁷ had been given to the President of Brazil.⁸ He replied in the negative but stated that they had been explained to him. It was suggested that if the President would approve the bases of those conversations and indicate that he was willing to allocate funds for their execution, the Minister of Marine would be in a position to go ahead at once on many items. The Minister of Marine stated that he would consult with the Foreign Minister toward securing *governmental* approval of the principles embodied in the Staff Conversations, which if obtained, should give an impetus to activities of preparation.

A. T. BEAUREGARD

810.20 Defense/1309a : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 17, 1941—8 p. m.

209. From the Under Secretary.⁹ The Navy Department finds it necessary in view of the situation which is developing in the Atlantic to enhance its patrol activities. The Navy Department is of the opinion that in accordance with the spirit of the staff talks between Brazil and the United States, an urgent situation has arisen involving the need to take additional measures of protection to insure the safety and security of the Western Hemisphere. It desires, therefore, to know whether the Brazilian Government would be willing to permit at this time vessels of the United States Navy engaged in such patrol activities to utilize the ports of Bahia and Pernambuco for the purpose of overhauling and of obtaining repair facilities. The Navy would likewise desire occasionally to have tenders and tankers put into these two ports for refueling, et cetera.

⁷ These Naval Staff Conversations, carried on by the Chief of the Brazilian Naval General Staff, Vice Admiral José Machado de Castro Silva, and the Chief of the United States Naval Mission, Captain A. T. Beauregard, resulted in a statement of "Understanding and Agreement" in which (1) the necessity was recognized of keeping open Brazilian ports and airfields in case of attack until reinforcements could arrive from the United States; (2) the United States agreed to assist with armed forces in meeting any attack from a non-American state or from a Fifth Column; (3) the United States promised to aid in procuring armaments and training personnel; (4) both parties agreed to the desirability of full exchange of information, of developing a suitable code and cipher, and of building up intelligence services; (5) when necessary, Brazil agreed to place at the disposition of United States naval forces, naval and air bases, anchorages, and port facilities, and agreed to allow "advance discreet operations" in the Natal area. The approval of the Navy Department of this understanding was indicated on November 14, 1940. (832.24/2564)

⁸ Getulio Vargas.

⁹ Sumner Welles.

Please take this matter up as quickly as possible in the strictest confidence with Aranha¹⁰ and telegraph the views of the Brazilian Government. [Welles.]

HULL

810.20 Defense/667 $\frac{2}{3}$: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, April 18, 1941—10 p. m.

[Received April 19—10:46 a. m.]

327. For the Under Secretary. Department's 209, April 17, 8 p. m. Aranha says he agrees.

CAFFERY

862.20232/206 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 22, 1941—5 p. m.

331. From the Under Secretary. Your 504, May 20, 7 p.m.¹¹ Please tell Aranha from me personally that I very deeply appreciate his message and I fully realize the significance of the statements he has made to you.

Please make it clear to him that there is no government anywhere with which this Government regards itself as being on more intimate terms of trust and confidence than with the Government of Brazil. As Aranha knows, I have made it a practice ever since I have occupied this office to communicate to the Government of Brazil all information which this Government received which I have believed would be of value to the Brazilian Government. I also have been most grateful for the information which Aranha has frequently given to you and which has been most valuable to us here.

If this Government has failed at any time to make its position fully clear to the Brazilian Government, although I do not think it has, I should be the first to regret it. I wish you would add in this connection that any specific question that Aranha cares to ask you or that his Ambassador here cares to ask me would be immediately

¹⁰ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

¹¹ Not printed. In this telegram the Ambassador reported a conversation with Aranha in which the latter stressed the need for better informing President Vargas as to plans of the United States with respect to the war and especially reasons for the belief that the United States could successfully fight Germany. Such information was especially important in view of the number of Germans in Brazil and the growing belief among many people that Germany would win the war. (862.20232/206)

answered provided a definite answer is possible. But I know that you will understand that under present conditions questions as to what our policy might be under given contingencies cannot be answered yes or no because the problem is not as simple as that. Answers to questions of that kind necessarily depend upon many considerations and upon future developments.

[Here follow comments on relations with the French Government at Vichy.]

With reference to the French colonies in the Western Hemisphere,¹² this Government has not only stationed in Martinique authorized observers and representatives who are constantly watching the situation, but it has likewise a patrol of naval planes and destroyers which make it possible for us to know both day and night the movements of the French vessels in the French Caribbean colonies. The French High Commissioner in Martinique has informed us specifically that the new negotiations with Germany have not modified in any way the *status quo* in Martinique. If this is true, there would seem to be no immediate reason to contemplate any inter-American action with regard to the French colonies in the Western Hemisphere and French Guiana is, of course, included in this category.

With reference to the general situation in the United States, the present attitude and intentions of this Government, and the prejudicial effect upon Brazilian public opinion which recent German victories have had, I may make the following statements:

The President has requested the Ambassadors and Ministers of the other American Republics to meet with him at the White House next Tuesday night when he broadcasts an address¹³ intended particularly for the people of the United States and the people of the other American Republics. I believe that this address will answer many of the questions which may be in Aranha's mind and in the minds of many of the Brazilian people.

I think, however, that you should state to Aranha that in our considered judgment the German Government and its allies can never achieve victory so long as they do not obtain mastery of the seas, and particularly of the Atlantic. The United States will never permit the passage of the control of the seas, and particularly the Atlantic, into the hands of powers which are clearly bent solely on world conquest and world domination and which have as their major objective

¹² For correspondence regarding concern of the United States over the fate of the French possessions in the Western Hemisphere after the invasion of France by Germany, see *Foreign Relations*, 1940, vol. II, pp. 493 ff.

¹³ For text of the President's address May 27, 1941, see *Department of State Bulletin*, May 31, 1941, p. 647.

the enslavement of all free peoples, including the twenty-one American nations. That is a fundamental principle in our present policy since we regard it as the prime requisite for the insurance of the defense and security of the United States and of the Western Hemisphere.

With regard to this final point I leave it to your discretion whether to communicate it to Aranha or directly to President Vargas. It is in the highest degree confidential at this time, but the President personally authorized me to communicate through you to President Vargas the fact that a very considerable portion of the United States fleet is now travelling under secret orders from the Pacific to the Atlantic and that this portion of the fleet will be in the Atlantic by June 8. The developments of the past weeks affecting the Atlantic have caused the President to reach the decision that this part of the fleet must without further delay be utilized in the Atlantic Ocean to safeguard the interests of the United States and its American neighbors.

I shall appreciate it if after you have had your conversation with Aranha or with President Vargas you will telegraph their reaction and any comment they may make. [Welles.]

HULL

862.20232/2063 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 28, 1941—11 p. m.

[Received May 29—2: 30 a. m.]

544. For the Under Secretary. Department's 331, May 22, 5 p. m. I saw President Vargas this evening and he said: "You can tell President Roosevelt that I am in entire accord with the point of view set out in your telegram. You can tell him furthermore that Brazil will honor its obligations contracted at Panama¹⁴ and Habana.¹⁵ In other words you can count on us."

He said also that he had listened with the greatest interest on the radio to the President's speech which in his opinion was noble, practical, and timely declaration.

CAFFERY

¹⁴ Meeting of the Foreign Ministers of the American Republics, held at Panama, September 23–October 3, 1939; for correspondence, see *Foreign Relations*, 1939, vol. v, pp. 15 ff.

¹⁵ Second Meeting of the Foreign Ministers of the American Republics, held at Habana, July 21–30, 1940; for correspondence, see *ibid.*, 1940, vol. v, pp. 180 ff.

832.248/262 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, June 4, 1941—3 p. m.

[Received 9:41 p. m.]

581. My telegram No. 570, June 2, 4 p. m.¹⁶ I assume it will be obvious to the Department that if, after raising the high hopes of President Vargas, Aranha and the Minister for Air, we were to fail to let them have the bombers they would be disgusted and resentful.

I must respectfully again point out that the Brazilian authorities have been putting into effect a series of hemisphere defense measures solely because we asked them to do so: Yesterday arrived officers from our War Department for a medical survey in northeast Brazil; we are now engaged in negotiations for taking aerial photographs of the northeast region for our own use; we are now asking the Brazilian Army to be allowed to participate in their maneuvers in the northeast region; we are now asking the Brazilian Army to permit us to bring some of our General Staff here for defense conversations; we are now asking the Brazilian authorities to allow 20 English bombers to be flown over Brazilian territory; we succeeded in persuading the Brazilians to agree to prohibit the sale of strategic materials to the Axis powers; we secured the cooperation of the Brazilian authorities in constructing a whole series of air bases; we suggested that troops be moved to the northeast and the Brazilians are moving them; at our suggestion the Brazilian Navy is undertaking to construct a naval base at Natal; and many more cases.

The Brazilian Air Ministry has assigned personnel to work with our Air Mission to get ready to receive the bombers.

The Germans are continuing to offer to send arms here. General Góes Monteiro told General Miller a few days ago that the Germans have offered to send a cargo of German arms on a German ship to Brazil.

I am sending this telegram because I apprehend that the Brazilian authorities will be unwilling to continue indefinitely to do everything we ask them to when we may appear to them to be remiss on our side. I am, of course, fully aware that we made no commitments to General Amaro Bittencourt to furnish arms now or in the near future.

CAFFERY

¹⁶ Not printed.

810.20 Defense/882½

*The Under Secretary of State (Welles) to the Ambassador in
Brazil (Caffery)*

WASHINGTON, June 18, 1941.

DEAR JEFF: I am submitting to you herewith a copy of a memorandum dated June 17 which has been sent to me by General Marshall at my request and which, as you will see from the contents of the memorandum, is approved by Admiral Stark.¹⁷

The memorandum is so comprehensive that I believe it requires no explanation from me. The real question, as I stated to General Marshall, is whether in your opinion the ends sought will be achieved through your speaking personally with President Vargas along the lines set forth in this memorandum. That, I feel, can only be left to your own determination. If you feel that it is desirable for you to see President Vargas and submit the problem to him as it is set forth in this memorandum, you are authorized to do so immediately.

Please telegraph me what your decision may be and, of course, should you see President Vargas, what reply may be made.

Believe me

Yours ever,

SUMNER WELLES

[Enclosure]

*Memorandum by the Chief of Staff of the United States Army
(Marshall) to the Under Secretary of State (Welles)*

WASHINGTON, June 17, 1941.

Subject: Military Cooperation of Brazil.

1. In the Liaison Committee¹⁸ meeting of June 10, you requested a memorandum setting forth just what the War Department desires in Northeast Brazil. It is my understanding that you wish to transmit these desires to Ambassador Caffery with instructions that he is to present them in person to President Vargas and request of him that they be granted.

2. With respect to Brazil, the War and Navy Departments have a single objective, the attainment of which at the earliest possible moment is of great concern to this country. Both Departments are in complete accord, both as to the objective and as to the time within which it should be secured. That objective is to insure the security of Northeast Brazil against every Axis effort, within Axis capabilities,

¹⁷ Adm. Harold R. Stark, Chief of Naval Operations.

¹⁸ The Liaison Committee was a high level interdepartmental policy group primarily concerned with defense matters.

to obtain a lodgment there. The War and Navy Departments believe that the Brazilian forces now in that area do not and cannot provide such security. They further believe that such forces as Brazil can and may transfer to that region will still fail to provide timely security to the extent deemed essential for our interests.

3. The question of sovereignty presents a problem to Brazil. Short of war, this problem may prove insolvable. But until we have made every effort to solve it and failed, we have not established this fact.

4. It may seem trite to repeat the strategic reasons why the War and Navy Departments consider this matter of such vital import and urgency to our safety. The basic geographic facts are well illustrated on the attached map.¹⁹ It is within the capabilities of the Axis powers to establish small forces in Northeast Brazil before effective armed resistance could be interposed by United States forces. On June 10 this Government had no naval craft, surface, sub-surface or air, within 1,000 miles of the tip of Brazil and the nearest Army force was nearly twice that distance. Our line of communications to that area today would be almost wholly sea-borne. While our long and medium range aircraft could readily reach it by air, our short range aircraft could do so only at great hazard.

5. The military problem presented, both from the Axis point of view and ours, is characterized by one outstanding fact. A small force in initial occupation will compel a major effort to expel it. Such an effort in that theater is highly undesirable and the risk of being compelled to make it should not be accepted. That risk exists today. It will continue so long as we fail to provide the security forces essential for that area.

6. *a.* "It is time for us to realize that the safety of American homes, even in the center of our country, has a definite relationship to the continued safety of homes in Nova Scotia or Trinidad or Brazil."

b. "We are placing our armed forces in strategic military position."

c. These are quotations from the May 27 address of President Roosevelt.²⁰

7. Time is the essential factor. Germany cannot *today* move in strength in the one manner in which she must move in order to secure and hold a lodgment in Brazil, namely, by sea. But step by step, the range of German armed force has been extended in that direction. German submarines are operating off the West African coast, presumably supplied either from the Canary Islands or from French or Spanish West African colonies. Dakar, former terminus of the

¹⁹ Not reproduced.

²⁰ For complete text of President Roosevelt's radio address, see Department of State *Bulletin*, May 31, 1941, p. 647.

German trans-Atlantic air route, is ruled from Vichy and Vichy collaborates with Germany. German four-motored planes, capable of flying the South Atlantic, are now in service. Germany has pilots and navigators familiar with the South Atlantic crossing. On three occasions within the past six months, German surface merchant vessels have run the British blockade from Europe to Brazilian ports. In view of these known facts and the rapidity with which Germany develops operations once her preparations are complete, we now face the distinct possibility of a lodgment by small German forces in Northeast Brazil which would require a very strong effort on our part to dislodge. Once our security forces are there, that possibility will be eliminated. It will then require a strong German effort to dislodge us, and the probability of such an effort being made will be relatively small.

8. Admiral Stark and I are in full accord in this matter. We believe that the objectives of this Government should be as stated in the report of The Joint Planning Committee of June 4, 1941,²¹ namely that this Government should secure immediately the consent of the Government of Brazil to the movement of United States Army and Navy security forces to Northeast Brazil, and that concurrently Colombia and Venezuela should be asked to cooperate by permitting the transit of their territory and the use of their airfields by our armed aircraft.

We further believe that such evidence of our vigorous leadership in the defense of this Hemisphere will be very heartening to friendly Latin American Governments and will strengthen them in their support of our policies.

9. *a.* The Army forces recommended for use under the present military situation include aviation, anti-aircraft artillery, infantry, field artillery, and service elements totalling approximately 9,300 troops and 43 planes.

b. The bulk of these forces should be sent initially to Natal. Eventually detachments may be sent to Recife and possibly to the Island of Fernando Noronha.

c. The War and Navy Departments have the forces available, together with necessary shipping to transport them, and can commence the movement from our Atlantic seaboard on twenty (20) days' notice, provided no large scale overseas movements are then underway to other points.

10. I am of the opinion that our best chance of securing the desired consent of the Brazilian Government would be through a personal request from President Roosevelt to President Vargas.

²¹ Report not printed; the Joint Planning Committee was set up by and reported to the Joint Planning Board (Army and Navy).

Participation in its maneuvers can be publicly announced by Brazil as the reason for permitting entry of our forces, but the reasons given above should be frankly stated to President Vargas.

The real hazard, however, which probably should not be mentioned to President Vargas, lies not in the danger of an unsupported attack by German forces. The greatest peril in this situation lies in the possibility of a sudden seizure of airfields and ports in Northeast Brazil by forces already in the country and acting in collusion with small German forces. The latter, arriving by air and perhaps by sea, would so time their movement as to arrive at these points immediately after their seizure. They would at once take over and organize these points for defense.

Admiral Stark shares these opinions.

G. C. MARSHALL

810.20 Defense/892a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, June 26, 1941—4 p. m.

471. My secret airmail letter to you, June 18. The situation is changing with great rapidity and the possibility of German aggression against the Western Hemisphere is becoming more imminent. In the considered judgment of the President and of the service heads of the War and Navy Departments, the most vulnerable points from the standpoint of the security of the Western Hemisphere are Iceland²² and Natal. Should the German Government be enabled in the near future to obtain control of Dakar, it is probable that Germany would then undertake its classic pincer strategy by attempting to occupy Iceland and Natal, the objective being, of course through the use of air forces based upon those regions to cut off Great Britain from the supplies now reaching her across the North Atlantic and from the South Atlantic.

The President feels that under these circumstances the approach outlined in my letter should be made and that the considerations above mentioned should be made clear. I believe that probably the pretext of maneuvers would be the best explanation to give so far as the public is concerned, but that is, of course a question which can be determined in the light of any recommendations or wishes that may be expressed to you. The underlying basis, however, would be the provision in existing inter-American agreements that any two or more American republics shall undertake such arrangements for their joint defense as they may consider necessary and desirable.

²² For correspondence regarding agreement with the Icelandic Government for sending of American troops to assume protection of Iceland, see vol. II, pp. 776 ff.

The President asks me to let you know that he considers the matter urgent and I shall therefore appreciate your telegraphing me your immediate views and any suggestions as to the manner of handling the question which you consider desirable.

WELLES

810.20 Defense/892½ : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, June 27, 1941—3 p. m.

[Received June 28—4:05 a. m.]

736. For the Under Secretary. Department's telegram No. 471, June 26, 4 p. m. I talked this over with Aranha: His offhand reaction was this:

[Here follows report of statement by Aranha that it would be a mistake to ask President Vargas to permit the sending of United States troops to northern Brazil, especially in view of the failure of the United States to supply arms for the Brazilian Army.]

Aranha has put into words what represents my opinion on this subject.

As the Department is aware, President Vargas has been leaning more and more in our direction during the past few months. He is definitely on our side but certainly the moment has not yet arrived when he could agree to this proposal and get away with it. He would think that I should know better than to put it up to him in this way at this juncture.

I asked Aranha if he thought it would improve matters any if we invited Brazilian forces to help defend some of our own possessions for instance. Aranha was so impressed with the point of view set out above that he did not want to think about that yet.

I repeat that we will think about the matter further and talk it over again in the next few days.

CAFFERY

810.20 Defense/699¾ : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

[Extract]

RIO DE JANEIRO, June 28, 1941—6 p. m.

[Received 6:32 p. m.]

751. For the Under Secretary. My telegram 736, June 27, 3 p. m.

...

As you are aware we secured from the Brazilian military authorities in writing an agreement for officers from our General Staff

to come here to talk over the whole defense business with officers of the Brazilian General Staff (see my telegram No. 665 of June 14, 4 p. m.²³)

Our military authorities desire a previous Brazilian agreement to some additional points before they come. The Brazilians will eventually agree but this of course has put off the conversations. In my opinion this is a mistake: Our officers should have come here as soon as the Brazilians agreed to their coming. It would also be a mistake to insist on signing any sort of a formal agreement in the premises at this juncture. It is often possible to get more out of Brazilians without a signed agreement than with one.

CAFFERY

810.20 Defense/699½

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 4920

RIO DE JANEIRO, July 2, 1941.

[Received July 7.]

SIR: Referring to the last paragraph of my telegram No. 751 of June 28, 6 p. m., I have the honor to report that the War Department has set out another condition (a perfectly acceptable condition, it is true) concerning the secrecy to be maintained; but, having in mind the Brazilian methods, this will again slow up the conclusion of the more or less formal agreement that the War Department wants signed apparently before they send down staff officers to begin conversations. All of this is a mistake: as I remarked before, the staff officers should have been sent as soon as the Brazilians agreed to their coming: if they had come at once it is possible that constructive conversations would now be going on in regard to the defense measures to be taken in the northeast. Our staff officers, if they win the confidence of their Brazilian colleagues, can contribute considerably to the end of our being eventually allowed to participate in a direct fashion in the defense of that area.

As I have set out before, there is only one possible way to persuade the Brazilian military authorities to allow us to send officers and troops to the Natal area and that is under the guise of teaching them how to use the arms we furnish them; possibly for instance a training center might be set up near Natal with United States equipment, utilities, training facilities, etc. Brazil could complete the division that it is now building up in that area and could send there also some additional special units. If we provided the equipment for a small air force, for anti-aircraft units, for mechanized units, for anti-tank units, for seacoast defenses and for mobile ground

²³ Not printed.

troops, it is very possible that a suggestion that a group of say one hundred officers and one thousand NCO's to be sent there for instruction purposes would be favorably received. I repeat we would have to be prepared to furnish all the necessary equipment to complete the armament of the division and special units with heavy machine guns, as well as the necessary special weapons such as batteries of 155 GPF coast defense guns, 37 m/m and 90 m/m (or 3'') anti-aircraft guns and motorized and armored equipment.

Respectfully yours,

JEFFERSON CAFFERY

810.20 Defense/1327a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, July 10, 1941—9 p. m.

525. Personal for the Ambassador. The President desires you to obtain an audience with President Vargas and to deliver to him the following personal message from the President :

"In view of the developments of the past few weeks and because of the rapidity with which the international situation is changing, I have felt that it might be helpful to us both if I addressed to you this personal message in order to let you know of my views with regard to the world situation and to inform you of some of the steps which this Government is taking in order to assure itself that it is not overlooking any practicable precaution which would insure the security and the defense of the Western Hemisphere.

As I notified your Government yesterday, the United States, by agreement with the Government of Iceland, has undertaken to defend the integrity of that country. The British troops, which until now have taken part in the defense of Iceland, will eventually be replaced by American forces during the period of the next few months. Through the American defense of Iceland and of Greenland²⁴ and through the utilization of the bases²⁵ acquired last year from Great Britain, what may be called the outposts of the defense frontier of the Western Hemisphere in the North Atlantic are rendered reasonably secure.

As I indicated yesterday in my message to the Congress of the United States,²⁶ it is necessary to forestall any attempt on the part of Germany to utilize the pincers method of attack against the Western Hemisphere. Were Germany suddenly to resort to these tactics, she would undoubtedly have needed to utilize Iceland in the North Atlantic and presumably Dakar and the Cape Verde Islands in the South Atlantic as naval and air bases, first of all to cut off all convoys

²⁴ For correspondence regarding agreement for the defense of Greenland, see vol. II, pp. 35 ff.

²⁵ For correspondence regarding negotiations for transfer of American destroyers to the British Navy and for establishment of American naval and air bases in British possessions in the Western Hemisphere, see *Foreign Relations*, 1940, vol. III, pp. 49 ff.

²⁶ For text of President Roosevelt's message to Congress, July 7, 1941, see Department of State *Bulletin*, July 12, 1941, p. 15.

to the British Isles and, subsequently, as concentration points for actual attack against North and South America.

The possibility of a sudden German movement from the points I have named in the South Atlantic is still disquieting. As a partial measure to forestall such a movement, I have ordered considerable forces to the bases leased by the United States in Trinidad and in British Guiana. I think you will agree that should there later be signs that Germany is actually preparing to move to Morocco and West Africa, the forces sent by the United States to Trinidad and British Guiana would not be sufficiently close to the point of the Western Hemisphere which Germany would probably first attack, namely, Natal, in order to render speedy and immediate effective assistance to the Brazilian forces.

A careful survey of typical German action makes it probable that their blitzkrieg tactics would give to us in the Americas no breathing spell to prepare defenses in any given spot after the Germans had suddenly occupied West Africa and the Cape Verde Islands. For in such event Germany might well launch an air and sea attack against Natal almost immediately.

I have under consideration the possibility of negotiating with the Government of the Netherlands for the temporary use of air and sea patrol facilities at Surinam. In the event that such a negotiation were concluded, would your Government be willing to share in the utilization of such facilities with the United States by the stationing of Brazilian forces there as complementary to the United States forces as a measure of cooperation in the defense of the Western Hemisphere.

Another strategic point which must remain in friendly hands if the security of the New World is to be safeguarded is the Azores. I have made it clear to the Portuguese Government that this Government desires only that the Azores and Cape Verde Islands remain under the unimpaired and sovereign jurisdiction of Portugal.²⁷ In the event, however, of a German occupation of Portugal, it is highly probable that Germany would immediately attempt the occupation of the Cape Verde Islands and of the Azores. In the interest of the defense of the Western Hemisphere such occupation would have to be prevented by the United States. In such event I hope the Government of Portugal would request the United States or Brazil, or both, to assist Portugal in defending both the Azores and the Cape Verde Islands. I would also welcome knowing from you whether, in such contingency, the Brazilian Government would be willing and prepared to share with the United States that further possible defense task.

The present hostilities between Germany and the Soviet Union have for the moment diverted the major portion of Germany's attention from the west to her eastern frontier. It is impossible at this time to predict how long this situation may continue. It seems to me all the more desirable, therefore, by the friendly exchange of views which I am seeking by means of this personal message, to clarify the positions of our Governments with regard to these vitally important questions.

²⁷ For correspondence regarding concern of the United States over the fate of Portugal and her island possessions in the event of attack by Germany, see vol. II, pp. 836 ff.

May I take this opportunity of expressing to you my deep appreciation of all the innumerable evidences of cooperation which the Brazilian Government has shown to the Government of the United States during these past months. The intimacy of the relations between our two countries and the friendship between the people of Brazil and of the United States are traditional and I feel that in recent times they have become closer and more understanding than ever. I shall await with great interest the views which you may feel free to express to me with regard to the problems mentioned in this message.

I am addressing you somewhat at length because I want you to share all my knowledge and all the possibilities I am compelled to prepare against. The gist of the matter is frankly this:

First. If Germany should eliminate Russia in a few weeks, a very large amount of personnel and matériel would be released for use elsewhere.

Second. In such event it could be used directly against the British Isles, or, should that seem to the Germans of doubtful outcome, the obvious alternative would be to try to close all access for shipping to Great Britain. The obvious places to cut off shipping would be the narrow portion of the South Atlantic and the northwest approaches to the British Isles. The success of such a move should be forestalled with plenty of preparation. Germany so far has succeeded through the use of surprise tactics and because of the shortness of time for preparation on the part of the countries she has attacked. Therefore, we feel that this summer, even before the Russian venture is settled, the Americas should take all preliminary precautionary steps.

Please accept the assurances of my warm friendship and personal regard."

Please telegraph the Department as soon as you have delivered this message and inform the Department of any indication the President may give you as to the manner in which his reply will be sent.

WELLES

810.20 Defense/1262

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 5062

RIO DE JANEIRO, July 25, 1941.

[Received August 7.]

SIR: I have the honor to repeat, as reported in my telegram No. 926 of July 24, 5 p. m.,²⁸ that the "Term of Agreement" to govern the activities of the Brazilian-American Joint Group of Staff Officers was signed yesterday by the Brazilian Minister of War and General Miller. The only changes in the text as signed, copies of which are transmitted herewith, from that forwarded with my despatch No. 5042 of July 22, 1941²⁸ were as follows: first paragraph under I;

²⁸ Not printed.

paragraph 1 of III; paragraphs 1, 2, 3 and 4 of IV and old paragraph 5 deleted with No. 6 renumbered 5.

Respectfully yours,

JEFFERSON CAFFERY

[Enclosure]

TERM OF AGREEMENT

To govern the activities of the Brazilian-American Joint Group of Staff Officers.

I. *Preliminaries:*

The creation of this Group results from the terms established in the Bases of the Agreement for Cooperation between the United States and Brazil, of October 29, 1940, and from the understanding expressed in the exchange of correspondence on the subject between the Chief of the General Staff of the Brazilian Army and the Chief of the United States Military Mission. Among other points it should consider in its plans the following stipulations:

1. Promise of Brazil to assist with all its forces and with the means at its disposal, the common defense of the American continent;
2. Promise of Brazil to construct air and naval bases and to authorize their use for the other Pan-American countries;
3. Promise of Brazil to organize the defense of its coast and of the islands along its seacoast, as well as the ways and means of communication of the country.
4. Promise of the United States to employ its armed forces to assist Brazil in defense against attacks by armed forces of non-American states.
5. Promise of the United States to assist Brazil in the procurement of the armament and of all the material means which it needs for the purposes in question, as well as the furnishing of technicians which Brazil declares it needs.

II. *Organization:*

1. The Joint Group will be constituted by General Staff officers of the two countries, six from Brazil and five from the United States, and will be presided over by the Chief of Staff of the Army of the Country in which it is assembled, or by an officer in his place, recommended by the Minister of War and designated by the President of the Republic.

2. Its meeting place in Brazil will be this Capital, where it will meet in the Ministry of War and where initially will be determined, after approval by the Government, its work, studies and plans and will be decided the reconnaissances judged necessary.

3. All its work will be of strictly secret nature and its conclusions will take the form of recommendations and information, and only after approval by the two governments in question, can they acquire the form of execution, through ministerial orders and directives.

4. The expenses of all kinds corresponding to the member representatives will be met and paid for by the respective governments.

III. *General Program of Action.*

The Group should accomplish the following general program of work:

1. Decide upon the land, coast and air defense requirements of the Western Hemisphere particularly with reference to the vital strategic area of Northeast Brazil, including:

- a. Determination of the part of the defense which Brazil can undertake;
- b. Determination of the assistance to be received from the United States, including its military aviation.

2. Determination of the military defense works and installations to be constructed and prepared in Brazil in order that the defense may be efficiently accomplished and also that there may be received the effective and ultimate cooperation of the forces of the United States.

3. Planning for all the construction requirements of the installations of the said defense and of the technical and material assistance to be placed by the United States at the disposal of Brazil in order that she may accomplish it.

IV. *Limitations.*

In the accomplishment of its mission, the Joint Group must keep as directives for guidance the following bases:

1. The employment of Brazilian forces should be planned within the limits of the territory of Brazil (continental or insular), whose total defense belongs to them within the contingencies of action on the continent; however under special conditions, after decision by the Brazilian Government on the opportuneness, the locality, the period of time and the need, they may be sent to other points on the continent.

2. In case of a positive threat against any part of Brazilian territory, and when she considers it appropriate, Brazil will be able to request the assistance of forces of the United States, at the points and for the time determined in advance by Brazil.

3. The air and naval bases in the territory of Brazil will be commanded and maintained by Brazilian forces and only on request of its government may they be occupied also by United States forces, as an element of reinforcement.

4. Such bases will be prepared by Brazil, with the technical and material assistance of the United States, as determined by the Joint Group, the cost of which will be subsequently paid by Brazil, through legally drawn contracts.

5. Among the problems and questions to be taken up, the Joint Group may study, as complimentary elements of defense, the transport and communications requirements having in view the concentration and supply in certain zones, and whose solution the Group should recommend.

V. *Conclusion.*

All the reports of the Joint Group should be forwarded by its President to the Ministers of War of the two countries for information and consequent decisions.

This document, written in duplicate, and, by delegation of the Governments of the United States of Brazil and of the United States of America is signed respectively by the Minister of War of Brazil and by the General Chief of the United States Military Mission in Brazil.

GENERAL EURICO G. DUTRA

BRIG. GENERAL LEHMAN W. MILLER

RIO DE JANEIRO, 24 of July, 1941.

810.20 Defense/1331 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, July 28, 1941—6 p. m.

[Received 10 : 55 p. m.]

954. For the Acting Secretary. Department's telegram 525, July 10, 9 p. m. President Vargas asks me to transmit to President Roosevelt his reply to the message received from him :

“Your Excellency's message with regard to recent happenings and the march of world events has received my very special attention. I agree that it is mutually advantageous for us to maintain direct contact and I thank you for your initiative in letting me know your ideas concerning the world situation, as well as informing me at the same time of the measures which the American Government is taking for the purpose of better insuring the defense of our hemisphere. Your Excellency's viewpoints entirely coincide with my own views on the subject. It is indispensable, for the success of our joint action, to decide beforehand upon the measures to be taken and the objectives envisaged.

In a general manner, these measures and objectives should be included in the program of cooperation which we must carry out. The details and the distribution of our respective obligations under this program which has already been outlined in the undertakings already reached, should specifically constitute the objective of the studies of

the Mixed Brazilian-American Commission of General Staff officers which has begun its work here in Rio de Janeiro.³⁰ I wish to state once more to Your Excellency that Brazil continues disposed to lend its entire collaboration to the United States using all its forces and means at its disposal to insure the common defense of the American Continent. I also take pleasure in reciprocating Your Excellency's expressions of consideration and with the assurances of my personal friendship."

President Vargas observed that he has instructed the Brazilian military authorities to put immediately before the Mixed Commission of General Staff officers the question of sending armed forces to Guiana and the Portuguese Islands (as set out in the second to last paragraph of my telegram No. 883, July 19, 3 p. m.³¹).

CAFFERY

810.20 Defense/1331 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, August 18, 1941—3 p. m.

689. From the Under Secretary. Your 954, July 28, 6 p. m. Please telegraph me at the earliest possible moment whether the question which President Vargas said he was submitting to the consideration of the Mixed Commission of General Staff officers has yet been decided. The War Department here has no information on this point and neither have I. I shall appreciate it if you can send me this information rapidly, particularly if the reply is favorable. [Welles.]

HULL

810.20 Defense/1333 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

[Extract]

RIO DE JANEIRO, August 21, 1941—4 p. m.

[Received 9:41 p. m.]

1124. Aranha brought up today the question of the Joint Staff conferences and again assured me of Vargas' cooperation; adding that he had a long talk yesterday with General Góes and is convinced that the army too is cooperating. He said, however, that Góes remarked again that the United States seems anxious to get troops into north-eastern Brazil but does not seem anxious to help Brazil to defend that region. . . .

³⁰ See despatch No. 5062, July 25, from the Ambassador in Brazil, *supra*.

³¹ Not printed.

Although I appreciate only too well the difficulties, I must repeat that although the Brazilians will invite us to send troops to northeastern Brazil when the German menace really seems imminent to them; in the meantime they will not do so unless we furnish them with adequate supplies of material for the defense of that region. I repeat also that is why it would be idle for me to take up the Department's telegram 551, of July 17, 11 p. m.,³² at this time in the face of my telegram 1110, of August 19, 4 p. m.³²

General Miller left early this morning to join the other Joint Staff conference members now in the northeast. I shall, of course, show him this telegram as soon as he returns here next week.

CAFFERY

810.20 Defense/1341 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, August 22, 1941—9 p. m.
[Received 10:10 p. m.]

1139. For the Under Secretary. Department's 689, August 18, 3 p. m. Aranha says that President Vargas told him last night that in case the negotiations with the Government of the Netherlands are satisfactorily concluded the Government of Brazil will cooperate in Surinam;³³ he will tell me what form that cooperation will take on Sunday.

President Vargas is also in agreement as to the Portuguese Islands. As I have several times reported Aranha has said that he is willing to approach the Portuguese Government in an appropriate fashion at the appropriate time.

CAFFERY

810.20 Defense/1314 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, September 7, 1941—2 p. m.

768. Your telegram 1110 of August 19.³² The Navy Department is becoming increasingly insistent as to the vital necessity of obtaining the patrol plane facilities requested in the Department's telegram 551 of July 17.³² It cites such factors as the protection afforded Hemisphere north-south shipping, the surface vessel needs for its gigantic patrolling task (North and South Atlantic, Caribbean, far-flung areas

³² Not printed.

³³ For correspondence on arrangements for sending American forces to Surinam, with Brazilian participation, see vol. II, pp. 811 ff.

in the Pacific, etc.)—not to speak of fleet operations—the relatively greater efficiency in certain patrol tasks of planes over vessels, the effect of relieving surface vessel shortages by use of planes when feasible; and mentions the President's personal interest and concern.

The Department, recalling President Vargas' anxiety at the "concentration" of naval units in the Pacific at the expense of the Atlantic (paragraph 2 of your telegram 425 of May 7, 7 p. m.³⁵) and the repeated assurances by the President and other high Brazilian officials of defense cooperation, is likewise anxious that you endeavor to work out satisfactory arrangements.

In view of the above please furnish your considered views as to the probable reaction of the Brazilian Government to a formal proposal along these lines.³⁶

HULL

810.20 Defense/1674a: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, November 10, 1941—8 p. m.

1127. In pursuance of the agreement concerning military cooperation reached between the General Staffs of Brazil and the United States based on a memorandum handed to the War Department by General Góes Monteiro during his visit to the United States last year (see Department's instruction no. 1044, January 7), conversations were held at Rio by the Joint United States-Brazil Planning Group. The Brazilian Chief of Staff now recommends the immediate appointment of a permanent Joint Board for Northeast Brazil to plan the construction of base facilities required for hemisphere defense in Northeast Brazil. This planning work is essential in order to determine the financial obligations which the United States may incur in connection with this construction, as well as the actual procurement of these funds.

The Navy Department desires that a naval officer shall be a member of this Board.

The War Department adds that in the opinion of General Miller each government should be represented on the Board by one engineer, one air force, and one naval officer and that Brazil should appoint an additional member who will be President of the Board. After an initial meeting at Rio, the Board would proceed to the Recife-Natal area to take up its permanent station. It would operate under the

³⁵ Not printed.

³⁶ In telegrams No. 1245, September 9, and No. 1247, September 10, Ambassador Caffery recommended against such a proposal to the Brazilian Government on the grounds of failure of the United States to fulfil its commitments as to supplying planes to Brazil. (810.20 Defense/1468, 1472)

same general conditions as the Joint Staff Planning Group except that with the approval of both countries, its proceedings would remain secret, although the appointment of the Board would be made public.

If you perceive no objection to this plan, you will please submit it to the Brazilian authorities at the earliest possible opportunity with a view to obtaining their approval in order that the War Department may proceed with the necessary arrangements.

HULL

810.20 Defense/1678 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, November 13, 1941—6 p. m.

[Received November 13—4: 23 p. m.]

1729. Department's 1127, November 10, 8 p.m. President Vargas told me today that he agreed and would give instructions to the Minister of War this afternoon to reach an understanding with General Miller.

CAFFERY

811.248/255 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 25, 1941—2 p. m.

1475. From the Under Secretary. Your 2183, December 24, 1 P.M.⁸⁷ The Navy Department has telegrams from naval observers in North-east that indicate that Brazilian commanders there have not been apprised of the arrangements agreed upon with President Vargas through the Brazilian Ambassador⁸⁸ here regarding the Marine "technician" detachments sent to Belém, Natal, and Recife.

The detachments were instructed, as soon as possible, to set up camps at the airports, of course using Brazilian barracks if available and offered, to keep their arms boxed until the camps had been established, and then to maintain arms unboxed but out of sight in quarters continually guarded.

The Naval Attaché⁸⁹ has been instructed by the Navy Department here to consult with you with a view to clarifying the matter with the proper Brazilian authorities. In view of the importance of early clarification of the question it would be appreciated if you would handle personally.

⁸⁷ Not printed.

⁸⁸ Carlos Martins.

⁸⁹ Rear Adm. A. T. Beauregard.

The President feels that President Vargas will fully understand and appreciate the vital importance to the security of the United States and to the safety of the Western Hemisphere that these and all other necessary measures of security be afforded for the passage of these planes. Please cable fully all developments. I believe that you will wish to speak immediately with President Vargas along these lines and urge the fullest cooperation. [Welles.]

HULL

**INTEREST OF THE UNITED STATES IN THE ELIMINATION OF AXIS
INFLUENCE FROM BRAZILIAN AIRLINES⁴⁰**

832.796/253 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, January 4, 1941—8 p. m.

5. Department's 418, November 30, 5 p. m.⁴¹ Your 634, December 5, 5 p. m.⁴² The Department has very carefully considered a program for Vasp⁴³ and is prepared to go ahead with the following plan which it believes will make possible the maintenance and extension of Vasp's services; the nationalization of the domestic company and the removal of any possible threat by Vasp to Brazilian and Hemisphere defense. You are authorized to discuss the plan with Aranha⁴⁴ who, it is hoped, will find it good and will take it up with President Vargas to obtain his approval. Any suggestions on their part will of course be welcome. It should be emphasized that the utmost secrecy is indispensable as experience has clearly demonstrated that opposing interests are quick to take advantage of any intelligence of this kind which they can pick up.

1. In return for the elimination of German influence and control in Vasp, this Government would take the necessary steps to obtain prompt release of equipment for Vasp, which we have reason to believe can be effected, despite the heavy demands of our armed forces.

2. The lending agencies of this Government would undertake such financing of the equipment as may be necessary and desirable.

3. This financing would take the form of a credit either to the State of São Paulo (with the usual Bank of Brazil guarantee) or to the American air carrier lending its technical assistance to replace that now furnished by German interests.

4. The technical assistance would not necessarily take the form of a management contract but should be of a nature effectively to eliminate permanently whatever German influence and control are now exercised. This could be worked out jointly with the State and City

⁴⁰ For previous correspondence, see *Foreign Relations*, 1940, vol. v, pp. 658 ff.

⁴¹ *Ibid.*, p. 668.

⁴² *Ibid.*

⁴³ Viacao Aerea São Paulo.

⁴⁴ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

of São Paulo, et cetera, and the Vasp company, following any suggestions which Aranha might offer.

5. This Government has reason to believe that it can arrange with the American air carrier providing the technical assistance, for the increase and extension of the services, and that it can furthermore obtain assurances that Brazilian flight and ground personnel will be trained to supplant as rapidly as possible any non-Brazilian personnel which it might be necessary to use temporarily.

If this plan is agreeable in principle to the appropriate authorities, the Department plans to call in the representatives of Pan American Airways and American Export Airlines, which are the two companies at present certified by the Civil Aeronautics Board as foreign air carriers, and to make arrangements with the one which appears to be the more suitable for putting the plan into effect and satisfying Brazilian aspirations. In this connection you might wish to ascertain which of the two firms the Brazilian Government would prefer (see memorandum of November 16,⁴⁵ conversation between Ambassador Caffery and Dudley Wood⁴⁶).

In view of the Department's experience with somewhat similar problems in Colombia⁴⁷ and Ecuador,⁴⁸ it is essential that the basis of a plan be worked out between the two Governments before the carriers are in any way consulted or apprised in the matter.

With particular reference to the last paragraph of your 634, the Civil Aeronautics Board will, it is understood, give sympathetic consideration to the detail of a technical expert to the Embassy at the proper stage of the negotiations should a program be worked out.

HULL

832.796/291 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, March 26, 1941—5 p. m.

[Received 6:55 p. m.]

220. Department's telegram No. 141, March 26 [25], 8 p. m.⁴⁵ The Vasp president⁴⁹ declared and repeated to me this morning that he will discharge every individual in the company, German or Italian or sympathizers, to whom we object if he can be sure that if he does so he will get the American planes. He insists that all German

⁴⁵ Not printed.

⁴⁶ Vice president of American Export Airlines.

⁴⁷ For correspondence concerning cooperation of the United States in the elimination of German influence from Colombian airlines, see *Foreign Relations*, 1940, vol. v, pp. 723 ff.

⁴⁸ See vol. VII, pp. 270 ff.

⁴⁹ José M. Camargo Aranha.

influence and control (other than above mentioned remaining Axis employees) have now been eliminated (I believe this is true).

I have had [information regarding?] Vasp personnel from 15 different sources and I am in position to point out the objectionable individuals in the company.

He reminded me that Vasp two pilots in Los Angeles [were] maintained there at considerable expense to the company.

If the planes can be obtained at an early date they will remain there and bring them back; if the planes cannot be furnished promptly he will bring his pilots back to Brazil and find other means of bringing the planes here as soon as they are available.

Vasp would very much like to acquire other American equipment but have not the cash available.

I have in mind the Department's telegram No. 5 of January 4, 8 p. m., following which the Brazilian Government was secretly informed that "in return for the elimination of German influence and control this Government would take the necessary steps to obtain prompt release of equipment for Vasp et cetera" and adding "the lending agencies of this Government would undertake such financing of the equipment et cetera"; although I am not of the opinion that the amount [*time*] has yet come to implement that offer.

Department's early observations would be appreciated.

CAFFERY

832.796/305

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 4441

RIO DE JANEIRO, April 4, 1941.

[Received April 9.]

SIR: With reference to the activities of European airlines in this country, I have the honor to report that yesterday Air France requested the Brazilian Government to approve schedules calling for resumption of their operations, which have been suspended since the fall of France. The only service involved at present is a line Rio de Janeiro-Porto Alegre-Montevideo-Buenos Aires-Santiago. The schedules awaiting approval connect with Lati⁵¹ arrivals from and departures to Europe. The local Air France director is acting under instructions from Vichy via their South American headquarters in Buenos Aires. The somewhat antiquated equipment of Air France (said to be two planes in Rio and one in Buenos Aires), which had been laid up for almost a year, will be used.

Respectfully yours,

For the Ambassador:
WILLIAM C. BURDETT
Counselor of Embassy

⁵¹ Lineas Aéreas Transcontinentales Italianas.

832.796/299a : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 7, 1941—8 p. m.

178. Personal from the Under Secretary. Interested American oil companies are being asked to withhold further supplies of aviation gasoline and lubricants from Lati.⁵² Please take this matter up informally with Aranha and endeavor to ascertain whether the Brazilian Government would receive favorably a request for its cooperation in this matter. The oil companies have expressed the view that, in spite of their desire to comply with the Department's wishes, they might be confronted with contrary instructions from the Brazilian Government. [Welles.]

HULL

832.796/300 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, April 9, 1941—7 p. m.

[Received 8 : 55 p. m.]

291. For the Under Secretary. Your 178 of April 7, 8 p. m. Aranha says that he has no idea of making difficulties for our oil companies on this but that he is extremely reluctant to do anything to interrupt the Lati service: it is he says the only effective means aside from cable that he has of communicating with many of his representatives in Europe and North and West Africa.

CAFFERY

832.796/300 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 14, 1941—3 p. m.

197. Embassy's 291, April 9. I understand the reason for hesitation is the hope that perhaps further consideration of the matter will lead the Brazilian Government to conclude that the disadvantages of continuing on the present basis outweigh the advantages. I would not press Aranha on this but the matter might be kept before him.

Incidentally, the reports from the Naval Attaché at Rio de Janeiro⁵³ call attention to the fact that these planes are carrying mica, industrial

⁵² For pro-Axis activity of Lati, see Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, in the series *United States Army in World War II: The Western Hemisphere* (Washington, Government Printing Office, 1960), pp. 247-248.

⁵³ Comdr. Edwin D. Graves.

diamonds and platinum. It is hoped that at least regarding mica and industrial diamonds, this supply can be made available to the United States as a part of the arrangements now under discussion with Pierson.⁵⁴

HULL

832.796/305 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 16, 1941—1 p. m.

202. Your despatch no. 4441, April 4. The Department considers that a resumption of service of the Air France at the present time would be highly undesirable.

In view of the strong possibility, almost certainty, that the United States Government will soon be able to make equipment and financing available for the establishment of a strong Brazilian airline or airlines, it is hoped that you will consider it advisable to make our feelings, concerning Air France, known to Aranha.

The Department expects to be able to telegraph you definite favorable information concerning airplanes for Vasp within two or three days.

HULL

832.796/321a : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 19, 1941—4 p. m.

220. Two Lockheed Lodestars have been made available to Vasp for immediate delivery. Two additional Lodestars have been allocated for delivery to Vasp in the near future, probably within 3 months or less. It is understood that Vasp has made its own financing arrangements for the first two Lodestars. By the time the second two are needed it is practically certain that financing for the second two on very favorable terms and conditions will be available.

As a condition to supplying Vasp with airplanes, this Government desires a commitment that Vasp agree to sell its present equipment to it or its order. Under the financing plan now almost completed Vasp's present equipment would be acquired on a trade in basis at prices which will be more than the prices the company would probably obtain in the market. There is no objection to Vasp's continuing to use its present equipment subsequent to its acquisition of the first

⁵⁴ Warren Lee Pierson, president of the Export-Import Bank. For correspondence regarding negotiation of a Lend-Lease agreement with Brazil and arrangements to procure strategic materials, see pp. 528 ff. and pp. 538 ff.

Lodestars and prior to a reasonable time after the acquisition of the final two.

The supply of the airplanes to Vasp is of course dependent on assurances from you that effective degermanization will simultaneously be carried out.

Please inform the president of Vasp of the foregoing. Within a few days the Department will be able to notify Vasp's representatives in the United States where and when they can take delivery of the first two Lodestars.

Information regarding exact delivery date of planes and details of financing will be telegraphed later.

HULL

832.796/326 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, April 24, 1941—6 p. m.

[Received 9:52 p. m.]

350. Department's 220, April 19, and 226, April 22, 5 p. m.⁵⁵ Camargo Aranha came in this morning. He referred to the conversation I reported in my telegram No. 290 of April 9, 6 p. m.;⁵⁶ and said that as he had heard nothing further from us he had withdrawn his credit from New York and bought the *Hermes* plane and another plane which was either the one that came on the *Lech*⁵⁷ or one for which the *Lech* was exchanged by the Germans: he was not sure about that.

In other words, he has no more money.

He added that if our Government can help him with the financing, he is perfectly ready to sell all of his present equipment to us on our order which includes 5 planes all told including the 2 new ones and a lot of recently arrived accessories from Germany.

He said moreover that he is prepared to de-Germanize completely the company including personnel as far as we wish him to go. In that case he must have permanent employment of American mechanics and two American pilots temporarily to act as instructors during a brief training period. (This obviously would contravene the present law against foreign pilots on Brazilian planes, a law which we have frequently invoked against Germans. Camargo Aranha said he could do nothing about that but hopes that I could.)

He added that Vasp could run on their present German equipment for 2 years more but he insists he prefers throwing in the German equipment and using American only.

CAFFERY

⁵⁵ Latter not printed.

⁵⁶ Not printed.

⁵⁷ The *Hermes* and the *Lech* were German merchant vessels.

832.796/326 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, April 25, 1941—7 p. m.

237. Your 350, April 24, 6 p. m. The Department is delighted that you have been able to save the situation.

Before arranging for American pilots to be released to work for Vasp, the Department would appreciate your views concerning the possibility of the Brazilian Government's permitting their serving as instructors during a brief training period on the distinct understanding that their presence in Brazil is for the purpose of familiarizing and training Brazilian pilots in the operation of the new equipment. It is presumed that the Brazilian Government has no objection to the temporary employment of American mechanics. In this connection this Government will be pleased to give advanced training in this country to Brazilian pilots.

It is believed that the services of Thomas Hardin⁵⁸ can be obtained to assist you in connection with our program in Brazil. Do you consider this advisable?

The President now has on his desk for signature an authorization for funds to carry out all necessary phases of the degermanization program in Brazil and the other American republics.⁵⁹

HULL

832.796/346 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 12, 1941—10 p. m.

292. Your 406 and 411, both of May 5, and the Department's 277 of May 7.⁶⁰ It is hoped that at least as a preliminary precaution it will be possible to keep the Air France stocks of aviation gasoline out of the hands of Lufthansa⁶¹ and similar organizations.

This Government feels that it would be most prejudicial to the defense of the United States for Lufthansa to resume trans-Atlantic operations.

HULL

⁵⁸ An authority on airways operations, and an official of the Reconstruction Finance Corporation.

⁵⁹ Under Secretary Welles was informed on April 29 that the President had approved the allocation of \$8,000,000 to the Federal Loan Agency for use in the removal of Axis influence in the air transportation systems of the other American Republics (810.796/172).

⁶⁰ None printed.

⁶¹ The Deutsche Lufthansa was the outstanding company in pre-war German commercial aviation.

832.796/367

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 4612

RIO DE JANEIRO, May 14, 1941.

[Received May 21.]

SIR: With reference to the activities of the German-controlled Sindicato Condor airline in this country, I have the honor to enclose a copy and translation of a confidential report⁶² submitted by the Brazilian Chief of Staff, General Góes Monteiro, on May 9, 1941, to the Minister of War, recommending that the recently established Condor service in the states of Maranhão and Piauhý be suspended inasmuch as "these activities on the part of the Sindicato Condor at the moment are prejudicial to the interests of national defense."

Respectfully yours,

For the Ambassador:

RANDOLPH HARRISON, JR.
Second Secretary of Embassy

832.796/365 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 16, 1941—4 p. m.

[Received 4:40 p. m.]

480. Department's telegram No. 292, May 12, 10 p. m. Aranha promises me that Lufthansa will not be allowed to resume trans-Atlantic operations.

CAFFERY

832.796/436 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, July 10, 1941—5 p. m.

[Received 6:30 p. m.]

823. My telegram No. 768, July 1, 2 p. m.,⁶² Burden and Russell⁶³ are very cooperative and very well disposed. However, when they arrived here they were not interested in demortallizing [*degermanizing?*] Vasp but wanted to try without delay to set up a "national" company under the guiding hand of Panair. I explained to them about the Vasp negotiations and the delay over the new Interventor⁶⁴

⁶² Not printed.⁶³ William Burden and Frank Russell, representatives of the Reconstruction Finance Corporation.⁶⁴ This appears to refer to the appointment of a new representative of the central government, Fernando Costa, to the state of São Paulo; he assumed the duties of this position in June.

and told them we could not disregard Vasp; although I too want to set up a "national" company with them, et cetera.

I repeat that Messrs. Burden and Russell are most cooperative and sensible but there were many things they did not understand. We are getting their troubles ironed out.

All of this however has meant delay too.

CAFFERY

832.706/452 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, July 17, 1941—10 p. m.

550. Your 823, July 10, 5 p. m. The Department has understood that, although the setting up of a Brazilian national company was to be explored by Burden and Russell to the extent that you deemed advisable, Vasp was to be given primary consideration. Department has recently obtained from R.F.C. the view that administratively it would be more practical to deal with Vasp, Varig⁶⁶ and Condor as a single transaction than to make piecemeal approach to the undertaking. Thus, there would be one problem for decision and one general settlement to be made. R.F.C. is very anxious to reach a satisfactory solution of the matter since it feels that the entire situation in Brazil is much more difficult than the one handled in Bolivia and that the success or failure of the R.F.C. program will depend largely upon the course pursued in Brazil.

Department is impressed by the reasons given by the R.F.C. for wishing to deal with the three companies as a single transaction, and it would appear that this plan would tend to prevent a successful attempt by opposing interests to interfere with the general program as might conceivably result if each company should be dealt with separately.

To recapitulate, the viewpoint held here by R.F.C., as stated above, strongly favors the nationalization of Vasp, Varig, and Condor in either of the following ways: the first, by combining the three companies into one strong national organization, and the second, by simultaneously and separately reorganizing the three companies under bona fide Brazilian auspices. It is felt by R.F.C. that under either or both of the plans the stock could be so apportioned between the Brazilian Government and its citizens as to result in an advantageous, practical solution of the problem. Also, it has been suggested that under either of the above plans, the participation of United States

⁶⁶ Empresa de Viacao Aerea Riograndense Varig.

interests could be taken into consideration provided the Brazilian Government should indicate that such participation would be desirable.

The R.F.C. has indicated its willingness to provide such equipment, finances and technical aid as would be necessary to establish a first rate Brazilian national air system.

The Department would appreciate a full statement of your views in the premises.

WELLES

832.796/506

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 5152

RIO DE JANEIRO, August 15, 1941.

[Received August 20.]

SIR: Referring to previous reports concerning Vasp, I have the honor to report that Camargo Aranha came to see me this morning and said that his resignation as well as that of the other directors had been accepted by the new Interventor. He remarked that one of their last acts had been to discharge Ludwig Weber, the last remaining German of any importance in Vasp. There remain only a few more or less German mechanics.

In other words, strange as it may seem, the degermanization of Vasp has in fact been accomplished at no cost to us.

Respectfully yours,

JEFFERSON CAFFERY

832.796/505 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, August 19, 1941—2 p. m.

[Received 3:46 p. m.]

1108. My telegram No. 1093, August 16, 3 [2] p. m.⁶⁷ The Interventor is here and has seen President Vargas. He says that President Vargas approves in principle the sale of Vasp with the idea of eventually incorporating it into an all-inclusive national Brazilian company.

The Interventor suggests that the question of price be now taken up. However, as the Department is aware the Washington end of this business is not yet all clear.

CAFFERY

⁶⁷ Not printed.

832.796/597 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, October 13, 1941—10 p. m.

941. Negotiations between the Reconstruction Finance Corporation, other interested agencies of the Government, and Pan American Airways have reached a point where a definitive agreement between Pan American and the RFC can be signed at any time providing for a once-a-week round-trip service between New York, Belém, Natal, Portuguese West Africa, and Lisbon, using large seaplanes of the type currently in the Atlantic service. Before signing the agreement and inaugurating the service, which will cost the United States Government several million dollars a year and necessitate the reduction of important services elsewhere, it is essential that Brazil agree to the elimination of Lati, to take effect concurrently with or shortly after the establishment of the new service. The sole reason for the establishment of the new service, is, of course, the elimination of Lati. Within 60 days the service can be started with one airplane and by the end of 90 days, possibly a little bit sooner, with two airplanes. One airplane can provide a fortnightly service and two airplanes a weekly service. The route from Brazil to Europe will not pass through British territory (regularly at least) so that the censorship question should not arise. Additional DC-3 service will also be provided by Pan American Airways between Natal and Buenos Aires in substitution for Lati's routes between these points.

As the Department envisages the problem, two alternatives offer themselves for the elimination of Lati. The first and preferable one of course would be through positive action on the part of the Brazilian Government cancelling Lati's franchises, justifying itself on the basis of Lati's menace to hemisphere defense. The second one, appealing perhaps more to the Brazilian Government but in the Department's view of possibly dubious efficacy, would be to dry up Lati's fuel stocks; the Department entertains serious anxiety with regard to the time element involved. However the Department leaves to your judgment the approach to use in broaching the subject with the Brazilian Government.

The Department wishes once more to emphasize the importance which it and the War and Navy Departments attach to the prompt elimination of Lati, and it entertains the hope that with the offer of the new Pan American Airways service you will succeed in obtaining the desired Brazilian assurances to cancel Lati's franchises.

HULL

832.796/607 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, October 24, 1941—1 p. m.

[Received 6: 11 p. m.]

1566. My telegram 1556, October 22, 3 p. m.⁶⁸ When the Minister for Air⁶⁹ agreed in principle to the elimination of Lati he took the occasion to make it clear with emphasis that he would resent any attempt to eliminate Condor until enough of our planes were actually on hand to provide a substitute service for Condor. In this connection I suggest a rereading of my telegram 581 of June 4, 3 p. m.;⁷⁰ in the concluding paragraph I said "I am sending this telegram because I apprehend that the Brazilian authorities will be unwilling to continue indefinitely to do everything we ask them to when we may appear to be remiss on our side." The bombers which we promised (and then withdrew the promise) were not furnished to the Air Ministry. On our side we have continued with new requests for favors which have at times reached one favor a day. We have established what is in effect a ferry service for planes to Africa over Northeast Brazil (three services described in Radio Bulletin number 196). I arranged yesterday for a flight of the first 3 "of another 45 or 50 United States Government transports" as set out in Department's telegram 735 of August 28, 8 p. m.⁶⁸ which also says "eventually but not before January 1942 service number 1 may include flying deliveries of military aircraft." Brazil has continued to reserve strategic materials for our use in spite of strong pressure from Germany and Japan; Germany at one point even prevented Swedish vessels from carrying Brazilian goods to Europe in reprisal. Brazil forced the Argentine to establish an export control system to supplement ours.

President Vargas has continued to cooperate along hemisphere defense lines and especially recently has agreed to cooperate with us in regard to Dutch Guiana.⁷¹ The Brazilian authorities have agreed to exempt American companies from fines involving several million dollars in connection with the so-called cable terminal tax. The Brazilian authorities have promised to exempt American banks from the constitutional provision prohibiting foreign interests from main-

⁶⁸ Not printed.

⁶⁹ Joaquim Pedro Salgado Filho.

⁷⁰ *Ante*, p. 497.

⁷¹ See telegrams No. 954, July 28, and No. 1139, August 22, from the Ambassador in Brazil, pp. 509 and 511, respectively.

taining banks of deposit in Brazil. Aranha told me that the President authorized him to tell General Horta Barbosa to take over for the Government's account the Lufthansa and Air France oil stocks mentioned in my despatch 5156 of August 12 and the Department's telegram 890 of October 2, 9 p. m.⁷³ The Brazilian Department of Justice prevented the cancellation by local authorities of the concessions of various American corporations. The Brazilian authorities have closed down all German, Italian, and Japanese language newspapers, et cetera.

On the other hand, the Brazilian authorities are extremely irritated with our black list and Aranha is constantly bringing cases to my attention. They are also resentful of our cotton policy. They are disappointed and now very skeptical about results from our Lend-Lease law.⁷⁴

The Minister for Air has recently referred to what he termed a shortage of planes for Panair to Brazil in its present services. He will be disposed to talk about the elimination of Condor when he is convinced that substitute planes are actually on hand. He remarked that Condor is the oldest airline in Brazil and has rendered excellent services to this country; that furthermore, as it continues to render good and necessary services he does not wish to eliminate it until a substitute has been definitely provided for.

CAFFERY

832.796/602: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, November 5, 1941—midnight.

1096. Department's 941, October 13, 10 p. m. and your 1556, October 22, 3 p. m.⁷⁵ Contract between Pan American Airways and subsidiary of Reconstruction Finance Corporation to provide substitute service for Lati has been signed.

Copy is being sent you air mail. Please inform Harding.⁷⁶

HULL

⁷³ Neither printed.

⁷⁴ Approved March 11, 1941; 55 Stat. 31.

⁷⁵ Latter not printed.

⁷⁶ William Barclay Harding, vice president of the Defense Supplies Corporation.

832.796/658 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 11, 1941—10 p. m.

1336. Your 1981, December 10, 11 p. m.⁷⁷ This Government is now compelled to regard Lati, which is definitely a military weapon of the Axis, in an entirely different light. The declaration of war against the United States by Japan, Germany and Italy makes it now a matter of vital military necessity to eliminate Lati at once. Please inquire of the Brazilian Government what steps it is taking.

The regular PAA⁷⁸ North Atlantic service to Lisbon may shortly be suspended, and the proposed South Atlantic substitute service to replace Lati would be affected in the same way. However, the Department proposes to seek War and Navy Department approval of a more limited substitute service, say from Natal to a friendly African terminus where junction might be made with an Africa to Great Britain service.

HULL

832.796/658 Suppl. : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 12, 1941—10 p. m.

1347. Dept's 1336 of December 11, 10 p. m. By the time this telegram reaches you it is expected that Lati will have been taken care of and that there will be no objection to proceeding with Condor.

As you are aware, the Defense Supplies Corporation has now delivered five Lockheed Lodestars to Pan American in Rio. The sixth and seventh will arrive within 10 days, possibly sooner. It is understood that Panair do Brasil⁷⁹ with these airplanes can substantially, if not entirely, duplicate Condor's services in Brazil. Since Condor has some gasoline remaining and since it will undoubtedly contrive to remain in operation on a reduced schedule at least, after its stocks are supposedly exhausted, you are requested to notify Standard of Brazil and other possible United States suppliers to cease at once all deliveries to Condor, unless you perceive compelling reasons to the contrary. On receiving word from you, the Department will confirm to the New York office of Standard Oil your instructions to the Standard of Brazil to cease deliveries to Condor.

The War and Navy Departments attach the utmost importance to the immediate elimination of Condor as well as Lati.

HULL

⁷⁷ Not printed.

⁷⁸ Pan American Airways.

⁷⁹ Subsidiary Company of Pan American Airways.

811.248/254 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 23, 1941—7 p. m.

[Received 9 p. m.]

2175. My telegram 2157, December 22, 6 [7] p. m.⁸⁰ The Minister for Air promised me this afternoon to close down immediately all Condor and Lati radio stations in Brazil.

The Minister added that President Vargas has directed him to expropriate at once both Condor and Lati.⁸¹

CAFFERY

NEGOTIATION OF A LEND-LEASE AGREEMENT BETWEEN THE
UNITED STATES AND BRAZIL, SIGNED OCTOBER 1, 1941⁸²

832.24/340a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, March 26, 1941—8 p. m.

145. For the Ambassador and Pierson.⁸³ The Department and the War and Navy Departments have agreed on a program of making available to the Brazilian Government \$100,000,000 of military and naval material over the next 3 years or so. This program will be carried out, in general, under the lend-lease arrangements, but, since the organization for the lend-lease activities has not yet been perfected, it is not possible at this time to provide the Brazilian Government with full details regarding the terms and conditions which will eventually be worked out.

On March 25 I explained this to the Brazilian Ambassador who appeared gratified and to understand the situation. The Brazilian Ambassador stated that General Amaro⁸⁴ was afraid that the terms proposed for the immediate credit of \$12,000,000 to be handled through the Export-Import Bank would apply to the entire program, and I replied that there was no basis for this belief, that the terms and

⁸⁰ Not printed.

⁸¹ The Ambassador reported on December 26 that the Department of Posts and Telegraphs had taken over all Condor, Lati, and Air France radio stations. However, the Brazilian Government was not yet ready to make an issue of the operation of the airlines with the Italian Government. On December 31 the Ambassador wrote that Maj. José Muricy had been named as head of a proposed Brazilian company to replace Condor. (811.248/256; 832.796/700, 708)

⁸² For an official narrative account, see Conn and Fairchild, *The Framework of Hemisphere Defense*, pp. 280, 293-296. See also section entitled "General policy of the United States for the negotiation of basic agreements relating to Lend-Lease to other American Republics." *ante*, pp. 133 ff.

⁸³ Warren Lee Pierson, president of the Export-Import Bank.

⁸⁴ Gen. Amaro Soares Bittencourt, Brazilian Military Attaché in Washington, designated to handle Brazilian requisitions for materials under Lend-Lease.

conditions of the remaining portion of the program would be the subject of special consideration in view of all of the circumstances. The Brazilian Ambassador also showed me a copy of a telegram from President Vargas stating

"The Brazilian Government is interested in securing through the Export-Import Bank a credit for the purchase of matériel for its Army, Navy, Air Force and Airplane Engine Factory, to be repaid, if such arrangement be acceptable to the United States Government, by delivery to the latter of strategic minerals such as manganese, mica, industrial diamonds, quartz crystals, rubber and others. Employ all activity and interest towards an understanding between the Brazilian Government and the United States Government to place these transactions on a practical base."

The same afternoon the War Department handed to General Amaro a confidential memorandum stating

"It appears that, prior to accepting the pending loan to cover the purchase of \$12,000,000 worth of armament which is included in the current Brazilian procurement program for approximately \$80,000,000 worth of army munitions, the Government of Brazil desires some assurance that the \$80,000,000 program will be approved by the Government of the United States so as to permit procurement within a reasonable time and generally on the basis of payment in raw materials.

I am authorized to convey to you the information that it is the considered opinion of the State and War Departments that the \$80,000,000 Brazilian program will be approved on the above basis, subject to later agreement by the two Governments upon the details involved and with the understanding that while it is expected that a great part, if not all, of these army munitions will be procurable within the next succeeding 2½ years, it must be understood that unpredictable events may make it necessary to defer deliveries beyond that period."

The Navy Department will extend similar assurances with regard to the \$20,000,000 naval program.

In order that the Brazilian Government may proceed immediately with placing orders for military equipment procurable within the near future, an immediate arrangement will be made by the Export-Import Bank with the Brazilian Government to loan to the latter \$12,000,000 for the purchase of defense material provided that the Brazilian Government will enter into a comprehensive contract for the sale to United States government agencies of certain materials of Brazilian production, listed by the United States Government as strategic or critical, at mutually agreed on prices, the proceeds of such sales to be used in part or in whole to amortize the credit herein contemplated. The credit will be made available as soon as the general terms for the purchase of the commodities have been agreed upon.

It is suggested that the proposed contract for the purchase of the commodities have the following main provisions:

1. The buying agencies will agree to purchase designated amounts of the various commodities.
2. Any exportation of these commodities from Brazil to private concerns in the United States will be applied against the quantities called for in the agreements with the buying agencies as it is not the intention to interfere with private purchases. Dollar exchange arising from such transactions will be considered outside this agreement.
3. In the event that Brazil's exportable surpluses of such materials exceed the quantities contracted for by the buying agencies, the buying agencies will purchase such an excess of exportable surpluses of suitable grades at the same prices. If, on the other hand, Brazil's production available for export should fall below the quantities contracted for, no penalty for non-performance will be assessed.
4. The contracts will be for a period of 2 years.

Certain special provisions will have to be worked out with regard to industrial diamonds, quartz crystals and mica as it is recognized that the variety of grades and sizes of these commodities makes definite agreement as to qualities, quantities or prices extremely difficult and producers of these materials especially cannot predict or control the types of material to be produced. Under these circumstances we suggest that private concerns in the United States continue to purchase such commodities freely on the same basis as heretofore except that the sellers and purchasers shall be requested to provide the Brazilian Government and the United States Government respectively with detailed statements as to quantities and grades of material purchased and prices paid. Any surpluses not so purchased which meet the specifications with regard to quality established for the United States governmental agencies will then be purchased by the latter. The prices to be paid by United States governmental agencies *c. i. f.* United States Atlantic ports shall be the average of the prices paid by the private concerns in the preceding quarter for material of comparable grade.

Your reaction to this suggestion or alternative suggestions from you will be appreciated. In connection with the above suggestion we point out that it may be that a representative of the United States purchasing agencies will be on the spot in Brazil to assist in working out this entire arrangement for the purchase of commodities.

In the case of such materials as manganese, rubber, chromite, and others in which neither the range of prices nor the diversity of grades is so great, it should be possible to negotiate purchase agreements for a 2 year period on the basis of prices currently prevailing. In view of the probable reluctance of the Brazilians to commit themselves for 2 years at present prices the United States governmental buying agencies would be willing to have a clause in the agreement providing

for a review of the price situation at 6 months intervals and for a consideration of an increase in the price in case of a rising market provided that there be a similar commitment by the Brazilians to reduce prices in the event of a falling market. Prices should be reviewed in the light of published quotations in authoritative trade publications and in all cases should be stated in United States currency based on market quotations in the United States.

You have made recent estimates of the probable production of critical materials during the years 1941-1942. It is suggested that these estimates be used as a basis of figuring the probable quantities involved. There may be of course other commodities than those contained in your estimates which will be the subject of the buying agreement.

WELLES

832.24/356 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, April 29, 1941—3 p. m.

[Received 5:22 p. m.]

374. General Miller⁸⁵ writes me confidentially as follows:

"1. It is probable that within a few days the agreement will be signed between the authorized representatives of Brazil and the United States providing for the initial credit of \$12,000,000 for the procurement of munitions by the Brazilian Army. Half of this sum is intended for automotive and mechanized equipment.

2. It seems urgent that our Government take the necessary steps to insure that some deliveries of equipment be made to the Brazilian Army with the least practicable delay. For nearly 2 years Brazilian Army authorities have been endeavoring to procure equipment in the United States 'under as favorable terms as those given by [the Germans].' To date no modern military equipment has been obtained from us except some searchlights purchased for cash from the Sperry Company.

The arrival in Brazil of modern equipment from the United States (such as tanks and armored cars) even if only in small quantities would produce a tremendous moral effect. In spite of my efforts to explain matters, there exists in the minds of many Brazilian Army officers a doubt as to the effectiveness of our assistance. The situation would become worse if a German ship should suddenly reach Brazil with a cargo of Krupp armament—an event which seems to be possible if not probable.

3. It is recommended that our Government make immediate delivery to the Brazilian Purchasing Mission in the United States of approxi-

⁸⁵ Gen. Lehman W. Miller, Chief of the United States Military Mission to Brazil.

mately the following quantities of mechanized equipment: 25 tanks, light; 10 tanks, medium; 25 scout cars.

These quantities were reported to the Brazilian Army as immediately procurable in February 1941. They are one-third of the total quantities of mechanized equipment desired by the Brazilian Army under the 6,000,000 dollars earmarked for that purpose.

4. The action recommended in the preceding paragraph would demonstrate our good intentions and would silence the pro-German propaganda to the effect that the United States will sell to Brazil only obsolete equipment. Furthermore, it would create a willingness to wait a reasonable time for additional deliveries.

5. Although the great majority of the Brazilian Army is decidedly pro-American probable additional victories of the German Army this year will strengthen professional admiration of that military machine, warranting energetic action on our part.[""]

I approve this.

CAFFERY

832.24/374 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 15, 1941—6 p. m.

[Received May 15—5:03 p. m.]

476. My 466, May 14, 8 p. m.⁸⁶ After I exchanged the notes with the Ministry of Foreign Affairs last evening Pierson signed a contract with the Bank of Brazil for the 12 million dollars Export-Import Bank credit for Brazilian purchases of arms in the United States.

CAFFERY

811.20 (D) Regulations/2517 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 29, 1941—10 p. m.

351. Your No. 539, May 27, 4 p. m.⁸⁷ The Department is awaiting authorization to issue general licenses for the exportation to Brazil of a fairly extensive list of articles and materials. It is anticipated that these general licenses can be issued within the next few days, and you will be notified immediately upon their issuance.

In the meantime, the Department is issuing licenses authorizing exports to Brazil as freely as the requirements of our national defense will permit. Applications have been dealt with in the most liberal possible spirit, particularly when these have been endorsed by the Brazilian Embassy with which the Department is cooperating closely in regard to this matter. Moreover, a number of unlimited licenses

⁸⁶ *Post*, p. 541.

⁸⁷ Not printed.

have been issued to American companies to facilitate the exportation of petroleum products to Brazil, and Brazil enjoys the advantages resulting from the issuance of general licenses authorizing the exportation of rubber tires, petrolatum and petroleum jelly, coconut oil, fatty acids, palm kernel oils, animal, fish and marine mammal oils, fats and grease, vegetable oils and fats, olive oil, cottonseed oil, nonproprietary and proprietary preparations containing quinine, cadmium pigments, chrome pigments, titanium pigments, and zinc pigments to all the other American republics.

HULL

810.20 Defense/1098a : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, July 9, 1941—9 p. m.

519. The Department on July 7 handed to the Brazilian Ambassador and General Amaro copies of a draft basic agreement⁸⁸ for the lend-lease program of transferring military matériel to Brazil. The principal financial provisions are as follows: Brazil is to receive a total of \$100,000,000 of war and navy matériel of which it is expected \$15,000,000 of army matériel and \$1,000,000 of navy matériel will be transferred during the fiscal year ending June 30, 1942. This delivery schedule is subject to change if broad defense considerations so require.

Brazil is expected to repay \$35,000,000 prior to June 30, 1947, \$15,000,000 during the first year, and \$4,000,000 a year for 5 years thereafter. In consideration of the broad objectives of the program and of certain very general economic concepts, the entire obligation of Brazil to the United States would be considered discharged by such payments.

The Ambassador has been informed that the \$12,000,000 Export-Import Bank credit is not to be considered in any way supplemental, but rather as a line of credit to the Bank of Brazil for use if necessary in order to meet the \$15,000,000 payment for the first year. The Dept understands that the Bank of Brazil informed Mr. Pierson during his recent visit to Rio de Janeiro that it would probably not have to draw upon this credit of \$12,000,000.

The Ambassador was also informed that to permit a smooth functioning of the purchasing machinery it would be essential that Brazil do as other governments have done and establish a single individual or board to coordinate and unify the activities of the several purchasing missions in this country.

WELLES

⁸⁸ *Ante*, p. 139.

832.24/432: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, August 15, 1941—10 p. m.

682. Your 1015, August 5, noon, and 1078, August 13, 7 p. m.⁸⁹ The Department is today sending you an air mail instruction transmitting a revised draft of the Lend-Lease Contract⁸⁹ to be taken up with the Minister of Foreign Affairs. The new draft is completely reciprocal with respect to Articles VI and VII (text of July 11 instruction⁹⁰), modifies the second paragraph of Article III, and in several other ways brings in the Government of Brazil and the President of Brazil. The question of the word "fiscais" is one of the Portuguese translation, and there would be no difficulty in changing it to "financeiros".

With respect to the repayment the Department is agreeable to equal annual amounts of \$5,833,333.33 over 6 years. It would not be practicable to extend the credit to 7 years. The original proposal was based on the fact that the Export-Import Bank had extended to the Bank of Brazil a credit of \$12,000,000 to help in financing such arrangement. The Bank and the Department believe that this credit may continue on the books of the Bank, but that any utilization of this credit should be subject to new discussion with the Export-Import Bank.

HULL

832.24/10-141

Lend-Lease Agreement Between the United States and Brazil, Signed at Washington, October 1, 1941

WHEREAS the United States of America and the United States of Brazil declare that in conformity with the principles set forth in the Declaration of Lima, approved at the Eighth International Conference of American States on December 24, 1938,⁹¹ they, together with all the other American republics, are united in the defense of the Americas, determined to secure for themselves and for each other the enjoyment of their own fortunes and their own talents; and

WHEREAS the President of the United States of America has determined pursuant to the Act of Congress of the United States of America of March 11, 1941,⁹² and the President of the United States

⁸⁹ Neither printed.⁹⁰ Not printed.⁹¹ For correspondence on this Conference, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.; for text of the Declaration of Lima, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27, 1938* (Washington, Government Printing Office, 1941), p. 189.⁹² 55 Stat. 31.

of Brazil has determined, that the defense of each of the American republics is vital to the defense of all of them; and

WHEREAS the United States of America and the United States of Brazil are mutually desirous of concluding an Agreement for the providing of defense articles, strategic or critical materials, and defense information by either country to the other country, and the making of such an Agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an Agreement in conformity with the laws either of the United States of America or of the United States of Brazil have been performed, fulfilled or executed as required;

The undersigned, being duly authorized for that purpose, have agreed as follows:

ARTICLE I

The United States of America proposes to transfer to the United States of Brazil under the terms of this Agreement armaments and munitions of war to a total value of about \$100,000,000. The United States of America proposes to begin deliveries immediately and to continue deliveries as expeditiously as practicable during the coming twelve months to an approximate total value of \$15,000,000 for use by the Brazilian Army and an approximate total value of \$1,000,000 for use by the Brazilian Navy.

In conformity, however, with the Act of the Congress of the United States of America of March 11, 1941, the United States of America reserves the right at any time to suspend, defer, or stop deliveries whenever, in the opinion of the President of the United States of America, further deliveries are not consistent with the needs of the defense of the United States of America or the Western Hemisphere; and the United States of Brazil similarly reserves the right to suspend, defer, or stop acceptance or deliveries under the present Agreement, when, in the opinion of the President of the United States of Brazil, the defense needs of the United States of Brazil or the Western Hemisphere are not served by continuance of the deliveries.

ARTICLE II

Records shall be kept of all defense articles transferred under this Agreement, and not less often than every ninety days schedules of such defense articles shall be exchanged and reviewed.

Thereupon the United States of Brazil shall pay in dollars into the Treasury of the United States of America the total cost to the United States of America of the defense articles theretofore delivered up to

a total of \$35,000,000, less all payments theretofore made, and the United States of Brazil shall not be required to pay.

more than a total of \$5,833,333.33 before July 1, 1942,
more than a total of \$11,666,666.66 before July 1, 1943,
more than a total of \$17,500,000.00 before July 1, 1944,
more than a total of \$23,333,333.33 before July 1, 1945,
more than a total of \$29,166,666.66 before July 1, 1946, or
more than a total of \$35,000,000.00 before July 1, 1947.

ARTICLE III

The United States of America and the United States of Brazil, recognizing that the measures herein provided for their common defense and united resistance to aggression are taken for the further purpose of laying the bases for a just and enduring peace, agree, since such measures cannot be effective or such a peace flourish under the burden of an excessive debt, that upon the payments above provided all fiscal obligations of the United States of Brazil hereunder shall be discharged; and for the same purpose they further agree, in conformity with the principles and program set forth in Resolution XXV on Economic and Financial Cooperation of the Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana, July 1940,⁹³ to cooperate with each other and with other nations to negotiate fair and equitable commodity agreements with respect to the products of either of them and of other nations in which marketing problems exist, and to cooperate with each other and with other nations to relieve the distress and want caused by the war wherever, and as soon as, such relief will be succor to the oppressed and will not aid the aggressor.

ARTICLE IV

Should circumstances arise in which the United States of America in its own defense or in the defense of the Americas shall require defense articles, strategic or critical materials, or defense information which the United States of Brazil is in a position to supply, the United States of Brazil will make such defense articles, materials, and defense information available to the United States of America.

ARTICLE V

The United States of Brazil undertakes that it will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information received under this Agreement, or permit its use by anyone not an officer, employee, or agent of the United States of Brazil.

⁹³ For correspondence on this Meeting, see *Foreign Relations, 1940*, vol. v, pp. 180 ff.; for Resolution XXV, see Department of State *Bulletin*, August 24, 1940, p. 141.

Similarly, the United States of America undertakes that it will not, without the consent of the President of the United States of Brazil, transfer title to or possession of any defense article or defense information received in accordance with Article IV of this Agreement, or permit its use by anyone not an officer, employee, or agent of the United States of America.

ARTICLE VI

If, as a result of the transfer to the United States of Brazil of any defense article or defense information, it is necessary for the United States of Brazil to take any action or make any payment in order fully to protect any of the rights of any citizen of the United States of America who has patent rights in and to any such defense article or information, the United States of Brazil will do so, when so requested by the President of the United States of America.

Similarly, if, as a result of the transfer to the United States of America of any defense article, strategic or critical materials, or defense information, it is necessary for the United States of America to take any action or make any payment in order fully to protect any of the rights of any citizen of the United States of Brazil who has patent rights in and to any such defense article or information, the United States of America will do so, when so requested by the President of the United States of Brazil.

ARTICLE VII

This Agreement shall continue in force from the date on which it is signed until a date agreed upon between the two Governments.

Signed and sealed at Washington in duplicate, in the English and Portuguese languages, this first day of October, 1941.

For the United States of America :

CORDELL HULL

*Secretary of State of the
United States of America*

For the United States of Brazil:

CARLOS MARTINS PEREIRA E SOUSA
*Ambassador Extraordinary and Pleni-
potentiary of the United States of
Brazil at Washington*

[SEAL]

832.24/520

The Ambassador in Brazil (Caffery) to the Secretary of State

No. 5724

RIO DE JANEIRO, November 3, 1941.

[Received November 10.]

SIR: I have the honor to report that as General Miller told me upon his return from Washington on October 26th that considerable confusion existed among the various Brazilian Agencies having to do with the purchase of war material in the United States, I personally handed to President Vargas on Thursday last the following three (numbered) self-explanatory memoranda:

(1) The War Department of the United States is somewhat perplexed by the fact that the Ministry of War of Brazil has not thus far made use of the twelve million dollar credit which has been available for some time.

(2) There has been certain confusion brought about by the fact that there exist several purchasing agencies of Brazil in the United States which some times place contradictory orders and give contradictory recommendations. The desirability of having only one representative to head all purchasing missions in the United States is suggested.

(3) There has been delay on the part of the Brazilian authorities in placing orders with the American Government to be fulfilled under the Lend-Lease Bill. These orders should be placed as soon as possible since the policy adopted is to fill the orders as they are placed.

President Vargas said he would look into these cases at once.

Respectfully yours,

JEFFERSON CAFFERY

ARRANGEMENTS TO PROCURE FOR THE UNITED STATES STRATEGIC MATERIALS FROM BRAZIL

832.24/368 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 13, 1941—3 p. m.

[Received 4: 25 p. m.]

460. Department's telegrams numbers 145, March 26, 8 p. m.⁹⁴ and 253, April 30, 4 p. m.⁹⁵ and mimeographed circular instruction of April 1, 1941,⁹⁶ entitled "Control of Exports."

Brazilian officials have determined that they are unwilling to enter into definitive contract for sale of strategic materials in which prices are fixed in fear that such action will be politically unpopular . . . On the other hand they have consented to restrict exports of strategic

⁹⁴ *Ante*, p. 528.

⁹⁵ *Ante*, p. 153.

⁹⁶ *Ante*, p. 151.

materials to the United States which action they state can be explained on the ground that this is being done in return for United States materials needed for domestic industries.

They have now definitely agreed to an exchange of notes between the two Governments reading as follows:

1. "The Brazilian Government undertakes for a period of 2 years through the issuance of export licenses and other adequate control regulations to restrict to the United States of America the exportation of strategic materials that meet the specifications in exhibit A attached hereto.

2. The Government of the United States undertakes to continue to facilitate as it is now doing, the shipment to Brazil of materials essential to Brazilian industry, the exportation of which is dependent upon Government permits and other formalities.

3. In case purchases by private American industries do not absorb all of the merchandise covered by paragraph 1 above, Metals Reserve Company or Rubber Reserve Company⁹⁷ undertakes to acquire all of the surplus existing in Brazil at prices to be agreed upon between these companies and Banco do Brazil.

In determining prices consideration shall be given not only to world quotations for these materials but also to their cost of production and the price of American products covered by paragraph 2 above."

Exhibit A referred to in paragraph 1 will contain a complete list of materials in which we are interested together with appropriate specifications.

We have explained to them carefully that we understand paragraph 2 to mean that we will do everything consistent with our defense program to facilitate shipments to Brazil and they have agreed to this. I intend to write an accompanying note insisting on this.

The proposed arrangement appears to be favorable to our Government and its approval is recommended.

If the proposal is approved the Brazilian Government expects the separate Export-Import Bank credit for 12 million dollars already arranged for. The Bank of Brazil says it will probably not need the credit but wants it available at least until June 30, 1942.

Pierson⁹⁸ approves the purchase part of the proposal pointing out that it obligates Metals and Rubber Reserve Company to buy only if prices are satisfactory. In this connection he recommends that immediate credits be opened authorizing limited purchases in Brazil at market prices of such materials as are urgently needed in the United States. He is of the opinion that with the exception of diamonds the shutting off of exports to Axis countries will result in the purchase

⁹⁷ These two organizations were United States Government corporations operating under the Reconstruction Finance Corporation as its purchasing agents.

⁹⁸ Warren Lee Pierson, president of the Export-Import Bank.

by private American firms of substantially all available Brazilian materials.

I also approve the proposed exchange of notes in the foregoing terms. However, I should like to have the Department's approval of them before signing. I assume that the Department can give its approval quickly since authority to make the various commitments involved is implied practically in full in the instructions cited at the beginning of this telegram. I hope it will instruct me in the premises today or tomorrow since Pierson must leave here early Thursday morning and Aranha⁹⁹ is impatient to have the matter completed.

CAFFERY

832.24/368 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 14, 1941—4 p. m.

294. Reference is made to your no. 460 of May 13. The Department authorizes the signature of the notes in the form set forth in your no. 460 with the following understandings:

1. There should be added to paragraph 2 of the note quoted in your telegram the following: "provided that such shipments shall be consistent with the carrying out of the defense program of the United States and its policy of assisting governments and peoples engaged in resisting aggression." The Department will not insist on having this clause in the note if your supplemental letter will cover this point satisfactorily.

2. It is suggested that either your supplemental letter or the notes themselves include a clause which will provide for the addition from time to time of materials other than those listed in Exhibit A when agreed to by the Brazilian Government and the Federal Loan Agency.

3. It is understood that Exhibit A will include all of the commodities listed in the Department's 263 of May 1.¹

4. The Federal Loan Agency will maintain a permanent representative in Brazil to supervise the execution of the agreements contained in the notes. This intention need not be expressed in the notes but should be communicated to the Brazilian Government.

5. The Federal Loan Agency will come into the market promptly if a serious drop in prices appears likely. It is understood that this will not appear in the exchange of notes.

6. It is suggested that the notes as finally executed and delivered be somewhat paraphrased from the form set forth in your no. 460.

HULL

⁹⁹ Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

¹ Not printed.

832.24/369 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 14, 1941—8 p. m.

[Received 10:58 p. m.]

466. Referring to my telegram No. 460, May 13, 3 p. m. and my telephone conversation this afternoon with the Under Secretary, I have this evening exchanged notes with the Minister for Foreign Affairs effecting the agreement covered by my telegram referred to above adhering to the text quoted in that telegram.

At the same time I gave him a covering letter of which the text follows and received a letter from him acknowledging mine and repeating the same safeguarding statement.

"I take pleasure in transmitting to you herewith my note No. 765 expressing my Government's agreement to the terms of your similar note regarding a program for facilitating the acquisition of Brazilian exports of certain kinds of strategic materials and the shipment to Brazil from the United States of certain materials needed by Brazilian industry.

In transmitting this note No. 765 I wish to state clearly the understanding of its paragraph No. 2 upon which agreement was reached in the oral discussions of it by Your Excellency, the Minister of Finance, Mr. Warren Lee Pierson, and myself. Stated briefly this understanding is that paragraph No. 2 means that shipments of the kind specified therein will be facilitated insofar as may be consistent with the national defense program of the United States. It is upon this understanding of paragraph No. 2 that my note No. 765 is based."

CAFFERY

832.24/372 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 15, 1941—2 a. m.

[Received 2:15 p. m.]

470. Department's 294, May 14, 4 p. m. crossed my telegram No. 466, of May [14] 8 p. m. which covered the matter.

Since the addition of other materials from time to time would have to be agreed upon as they were added, a provision to that effect would be superfluous in the present notes. Our discussions have all been based on the expectation of further additions, however, and the Brazilian authorities expect them.

Exhibit A covers bauxite, beryl, chromite, ferronickel, industrial diamonds, manganese ore, mica, quartz crystals, rubber, titanium, (rutile) and zirconium.

Private American purchases will probably take care of most of the ores for the present, but the reserve companies should prepare shortly

for possible purchases of industrial diamonds, quartz crystals, mica, and possibly rubber.

Pierson left this morning for the United States.

CAFFERY

811.20 Defense (M)/2071: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 20, 1941—6 p. m.

325. Reference your 484 of May 17.³ The Federal Loan Agency is prepared to purchase all the materials named of all grades subject only to the limitation in quantities hereinafter set forth in this telegram. As to rubber, lead ore, and bauxite, the maximum annual quantities are 12,000, 900, and 100,000 tons, respectively. You are authorized to sign the supplementary notes which you refer to in your telegram.

Reference your 487 of May 18.³ The difficult situation of the Brazilian Government with respect to the agreement is recognized here by the Federal Loan Agency and the Department who further recognize the necessity of preventing a serious fall in prices from becoming associated with the agreement. The Federal Loan Agency accordingly has authorized us to advise you that it will undertake to buy any of the following commodities in not exceeding the following annual amounts at the prices hereinafter set forth. All figures are in metric tons except where otherwise stated:

<i>Commodity</i>	<i>Annual Quantity</i>	<i>Price</i>
Diamonds	300, 000 carats	Average \$20. 00 per carat
Manganese Ore	500, 000	\$15. 00 for 46% grade.
Quartz Crystals	2, 000	The price listed in the official price list of Brazil.
Mica	2, 000	Latest prices worked out by Messrs. Wright and Pierson.
Ferro Nickel, 20% content.	600	\$100. 00
Rutile	800	\$170. 00
Chromite	6, 000	\$17. 50
Beryl Ore	1, 600	\$35. 00 with a premium of \$3.50 per unit over 10% BEO.
Zirconium	1, 600	\$55. 00 for 55% ZrO ₂ and 55 cents a unit above 55% ZrO ₂ content.

The annual quantities listed above are subject to a deduction as to each commodity for the amounts of such commodity purchased through the usual commercial channels by the trade in the United States.

³ Not printed.

Bauxite is not included in the above list because it is understood that there is no possibility of obtaining ships for this material in the near future. It will be added to the list when shipping becomes available. Lead also is not included because we are informed that Brazil is an importer of lead. As to rubber, the Federal Loan Agency is not in a position to make an offer but will arrange with private rubber buyers to purchase in the Brazilian market and these buyers will call on you shortly.

The Federal Loan Agency is willing to maintain the offer set out above during the present international emergency with a maximum limitation however of 2 years, the situation as to prices to be reviewed by the Brazilian Government and the Federal Loan Agency at the end of each 6 month period. It is understood that the offer set forth in this telegram is a unilateral commitment on the part of the Federal Loan Agency, the purpose being to provide a floor for prices so that no criticism of the Brazilian Government may occur as a result of the agreement which it has signed with the Federal Loan Agency. There is no commitment on the part of the Brazilian Government to sell these commodities at these prices, the commitments of the Brazilian Government remaining in exactly the form set forth in the agreement which has just been signed. You are authorized to communicate this decision of the Federal Loan Agency to the Brazilian Government.

A further telegram will be sent to you shortly advising as to the organization which it is proposed shall be set up on behalf of the Federal Loan Agency to handle these arrangements. This telegram will also deal with the method of acquiring industrial diamonds and the proposed credit on the basis of which Danforth⁴ can begin his purchases of diamonds.

HULL

811.20 Defense (M)/2071 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 22, 1941—7 p. m.

332. Referring to Department's no. 325 of May 20. The Federal Loan Agency is prepared, through Danforth, to make purchases, take delivery of and pay for the quantities of materials at the prices indicated, but believes that the Bank of Brazil or other agency to be set up by the Brazilian Government must have the responsibility of all negotiations with Brazilian producers or handlers for the acquisition of such materials, the determination of quantities and qualities and the

⁴ Stephen P. Danforth of the Reconstruction Finance Corporation.

prices to be paid such producers or handlers, as well as the necessary steps to effect the concentration of the same at some central point to be agreed upon for delivery to Danforth.

Sales by Brazilian producers to private consumers in the United States would continue to flow through the normal channels of trade at such prices and at such amounts as they may mutually agree upon.

Presumably some agreement between the Bank of Brazil or the other Brazilian Agency and the Federal Loan Agency going into the details will have to be worked out by Danforth with the Embassy's assistance and sent to the Department for approval by the Federal Loan Agency here.

The Federal Loan Agency realizes that in many cases the prices quoted in telegram no. 325 apply to certain specific grades. The Agency is willing to buy materials of other grades at the discounts from or premiums above the standard prices set forth in exhibit A prepared by Messrs. Wright and Pierson in their negotiations in Rio.

Please advise as promptly as possible whether these proposals meet with the approval of the Brazilian Government.

HULL

811.20 Defense (M)/2088: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, May 23, 1941—10 p. m.

[Received May 24—1:25 a. m.]

525. Department's telegram No. 332, May 22, 7 p. m. I do not understand precisely what is meant by the phrase "must guarantee the responsibility of all negotiations".

The Bank of Brazil is not yet in a position to buy or sell commodities and it would be some time before it could create machinery for this. As understood when the agreement took its final form and was signed, it provides simply that the Metals and Rubber Reserve Companies will buy (directly from the usual private sellers) materials available for export. The Brazilian Government and the Bank of Brazil or their agencies do not (and are not prepared to) enter into the buying except that they will be glad to give our buying agencies without responsibility such information and advice as they may have regarding exporters, et cetera.

The Brazilian Government has its regulations to prevent shipments of strategic materials to countries other than the United States already drafted, mimeographed and signed. But it will not issue them until our agencies are ready to make immediate purchases as necessary and I so inform it.

Our Government will certainly have to begin buying some of the products in large quantities immediately when Brazil's export restrictions are placed in effect especially diamonds, quartz, mica and certain ores.

The Germans are now again buying heavily here to load Italian ships in Brazilian ports especially since the announcement in Washington this week that the Federal Loan Agency is "going to" buy large quantities of Brazilian strategic materials. *The same day* the Germans are stopped from buying, Brazilian exporters will have to be able to turn to some one in Brazil ready to buy for the United States at the prices stated in the Department's telegram No. 325, May 20, 6 p. m.

Has the Federal Loan Agency completed its organization mentioned in the penultimate paragraph of the Department's telegram No. 325? Can it give the name and date of arrival of the representative mentioned in paragraph No. 4 of the Department's telegram No. 294, May 14, 4 p. m.? Will it also have a diamond expert in Brazil offering to appraise and act on industrial diamonds? Or is Danforth expected to arrange all this and prepare to begin buying on behalf of the Metals and Rubber Reserve Companies requesting the issuance of commercial letters of credit in favor of specific sellers, arranging for the storage here of materials lacking cargo space or unwanted in the United States at present, appointing private traders as experts (the Government and Bank of Brazil have none) to inspect and accept materials bought et cetera.

If so he suggests preliminary procedure as follows: That orders covering available industrial diamonds be lodged with Harry Winston and Company Incorporated New York; that orders covering available quartz crystals be lodged with Western Electric or Electrical Research Products Company; that subject to prior approval by Metals Reserve and prior discussion with Watson an irrevocable letter of credit be opened in favor of Arthur Watson and Company Limited, Rio, covering available mica. Danforth is writing with reference to other products.

CAFFERY

811.20 Defense (M)/2099 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, May 24, 1941—7 p. m.

339. Your telegram no. 525 of May 23 has been discussed with the Federal Loan Agency. The Agency had always understood from

the beginning of the negotiations that the work of purchasing from the Brazilian producers and of assembling and checking the various materials at concentration points, which presumably would be Brazilian ports, be carried on by the Bank of Brazil or other agency set up by the Brazilian Government. In fact the Federal Loan Agency was advised of the appointment of Mr. Filho ⁵ to organize this department of the bank of Brazil.

The Federal Loan Agency is nevertheless willing to take over a large share of this work. It now proposes to send Mr. Leonard J. Buck to Rio de Janeiro. Mr. Buck will arrive there next Wednesday. His duties will be to buy the materials listed in no. 325 at the prices therein mentioned. He will buy only from the large wholesalers or exporters who will make deliveries at concentration points, presumably Brazilian ports. When the materials are ready for delivery, they will be received and checked by Buck and Danforth. Arrangements have already been made with the National City Bank to make payment against invoices and documents approved by Buck and Danforth. Buck will hire such experts as may be necessary to assist in all this work. This includes industrial diamond experts and such other specialists as may be required.

Since Buck will arrive Wednesday, it is believed that all the necessary arrangements can be made promptly upon his arrival to enable the issuance by the Brazilian Government of the regulations prohibiting exports except in accordance with the agreement. It seems therefore not necessary to adopt any preliminary methods such as are suggested in your telegram.

HULL

811.20 Defense (M)/2088: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, June 2, 1941—11 a. m.

358. Reference Department's 355, May 31.⁶ Buck is bringing with him offer from American companies as to price floor to be established for rubber. Federal Loan Agency asks you instruct Buck and Danforth to withhold putting this price offer into effect and that you telegraph as promptly as possible present prices for rubber f.o.b. Para.

HULL

⁵ Francisco Alves dos Santos Filho, Exchange Director of the Bank of Brazil.

⁶ Not printed.

811.20 Defense (M)/2088: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, June 6, 1941—6 p. m.

375. Reference Department's 358 of June 2. The Brazilian rubber situation was again discussed this morning with Goodyear officials in the light of latest information available regarding current prices in Para and current discussions taking place in Brazil.

The elements of the problem would seem to be as follows: From the Brazilian point of view, the desire of the producers and the Government to secure a fair return for their rubber, and the further desire to assure the continued operation of the manufacturing plants in Brazil; from the American point of view, the desire to provide a reasonable price for Brazilian rubber production not required in Brazil or any other of the American republics, and a further desire identical with that of Brazil to assure the continued operation of the manufacturing plants in Brazil on the basis of using Brazilian rubber.

It appears to us that this problem could be handled to the greatest mutual satisfaction on either one of the two following bases: First, the Brazilian Government through the Bank of Brazil would arrange to procure all Brazilian rubber production, and to make whatever quantity is necessary available to the manufacturing plants in Brazil at a reasonable price (adjusting the duty on manufactured products to whatever extent might be necessary in the light of the price of crude rubber that is determined), and to sell the rest at the price and pursuant to the arrangement which Buck has brought with him. Second, should the Brazilian authorities not be willing to carry out this arrangement, a satisfactory alternative would appear to be (a) enforcement of export control by the Brazilian Government; (b) action by the Brazilian Government to form a pool out of the Brazilian crude rubber production in amounts necessary for the Brazilian manufacturers for resale to them at a reasonable price (with any necessary duty adjustment as mentioned above), accompanied by an agreement in the form and at the price which Buck has brought with him to buy all other Brazilian rubber becoming available.

Will you as promptly as possible discuss this with the Brazilian authorities with a view toward effecting an immediate arrangement.

HULL

811.20 Defense (M) Brazil/103 : Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, November 14, 1941—1 p. m.

1141. Your despatch 5665, October 24 and telegrams 1670, November 6, 3 p. m. and 1697, November 8, 8 p. m.⁷ Department and Metals Reserve agree with the Embassy that the purchase agreement should be extended to include cobalt, tungsten, and nickel ore. You will be notified by telegram as soon as a decision is reached concerning tantalite, columbite, and carbonados. It is not likely that there will be any recommendation to purchase aquamarines or other semi-precious stones.

The terms suggested for cobalt are a maximum of 300 tons of cobalt ore per year of not less than 4 percent cobalt content at a price of 50 cents per pound of contained cobalt c.i.f. New York.

The terms proposed for tungsten are a maximum of 180 tons of tungsten concentrates per year with WO_3 content of 30 percent or better. The price would be \$21 per unit c.i.f. New York for concentrates with WO_3 content of 65%. A schedule of grades, penalties, and bonuses similar to those in other Metals Reserve contracts will be forwarded later.

In the case of nickel ore, a different procedure is suggested. The terms of the agreement would be changed to substitute nickel for ferro-nickel, which would bring all classes of nickel-bearing materials within the scope of the agreement. The maximum quantity of contained nickel to be purchased would be increased to 150 metric tons per year, and the price would be based on the current domestic quotation of 29.5 cents per pound for refined nickel f.o.b. New York, less transportation costs and appropriate treatment charges for conversion into refined nickel.

When these three commodities are added to the purchase agreement they will of course become subject to all its provisions, and as to them the agreement will terminate on the same date on which it terminates as to the other commodities. Revision of cobalt, tungsten, and nickel prices will be considered every 6 months simultaneously with revision of the prices of other materials, and the export of cobalt, tungsten, and nickel from Brazil will be restricted exactly as the export of the other strategic materials in the agreement is restricted.

The Department requests that with the aid of the Federal Loan Agency representative you enter into negotiations with the Brazilian authorities for the inclusion of these products in the agreement, and telegraph the form of note that will be proposed to put the arrange-

⁷ None printed.

ment into effect. If the Brazilian Government is willing to have these products added to the agreement, it is important that they be placed under export control immediately, so that there will be no opportunity for undesirable sales contracts to be filed before the new export regulations become effective. In this connection, you are requested to notify the Department what contracts for the sale of cobalt, tungsten and nickel are now recorded with the Bank of Brazil.

HULL

811.20 Defense (M) Brazil/131 : Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 3, 1941—6 p. m.

[Received 7:07 p. m.]

1897. Department's 1141, November 14 and my 1796, November 22.⁸ Upon receipt of Department's telegram I obtained a commitment from the Bank of Brazil not to accept sales contracts for cobalt, tungsten and nickel ore pending negotiations. It is therefore highly desirable that we proceed with this matter without delay.

I propose to handle this through an exchange of identical notes similar to the one of May 14 (my despatch number 4635, May 19⁹). The first paragraph will be the same as in the previous note except that the period will be December, 1941 to May 13, 1943 inclusive and an additional qualifying phrase will be added indicating that the terms include the materials in the form of alloys or concentrates as well as in ore.

The second paragraph will read the same as in the previous, with the following qualification "it being understood that shipment of the kind specified therein will be facilitated in so far as compatible with the National Defense program of the United States."

The third paragraph will read the same subject to such maximum annual quantitative undertakings for the three commodities as the Department indicates should be included and using the term "purchasing agencies of the Government of the United States," instead of the terms "Metals Reserve Company and Rubber Metals [*sic*] Reserve Company."

The final paragraph in regard to price determination will remain the same.

Please inform me as to the Department's final decision on quantitative limitations and views on proposed note as outlined. The question of prices can if necessary be negotiated at a later date.

CAFFERY

⁸ Latter not printed.

⁹ Despatch not printed.

811.20 Defense (M) Brazil/134: Telegram

The Ambassador in Brazil (Caffery) to the Secretary of State

RIO DE JANEIRO, December 6, 1941—5 p. m.

[Received December 7—2: 35 a. m.]

1928. Department's number 1260, December 4, noon.¹⁰ I have informed the Brazilian authorities of the decision to interpret agreement as including carbonados and requested them to prohibit exportation elsewhere giving them assurances that we were prepared to make purchases.

I am giving Aranha a strictly confidential memorandum on castor beans and castor oil inquiring whether his Government agrees in principle. I have included the statements in the Department's telegram under reference and also requested that pending negotiations the registration of sales contracts be suspended for shipments to unapproved destinations. The Brazilian reaction to the proposal that direct shipments to the United Kingdom be permitted is unpredictable. It will be recalled that Brazil [made] protests to our basic agreement by stating that it was a *quid pro quo* arrangement and not unneutral.

The proposals on cobalt, tungsten and nickel ore appear satisfactory and I am prepared to negotiate this matter upon receipt of Department's approval of the proposed note outlined in my 1897, December 3, 6 p. m.

In accordance with Department's suggestion I plan to qualify the statements regarding quantitative limitations with the following: "Should it appear that Brazil's exportable surplus exceeds the quantities under reference, the purchasing agencies of the United States Government will make every effort to acquire the additional amounts available."

CAFFERY

811.20 Defense (M) Brazil/134: Telegram

The Secretary of State to the Ambassador in Brazil (Caffery)

WASHINGTON, December 19, 1941—6 p. m.

1423. Your 1928, December 6 and 1897, December 3. Department and Metals Reserve approve all suggestions in your 1897, but an exhibit should be attached to the notes containing the maximum quantities and perhaps also the prices as set forth in Department's 1141 of November 14 and 1260 of December 4.¹¹

¹⁰ Not printed.¹¹ Latter not printed.

A question has been raised concerning last paragraph in your 1928. Department and Metals Reserve agree that the form of commitment which you propose is too broad. In this connection Department refers to discussion in its 1260 of requirement that there be a definite maximum limit to any obligation of Metals Reserve. In this case Metals Reserve would prefer a simple option to acquire any available quantities of cobalt, tungsten or nickel in excess of the maximum figures. If Brazilian authorities will not accept this, will you then suggest a possible increase in the maximum figures for cobalt and tungsten sufficient to cover the anticipated excess production. Metals Reserve, however, does not wish to increase its commitment as to nickel.

Please telegraph any further suggestions.¹²

HULL

AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL RESPECTING A MILITARY AND MILITARY AVIATION MISSION, SIGNED JANUARY 17, 1941

[For text of agreement, see Department of State Executive Agreement Series No. 202, or 55 Stat. (pt. 2) 1225.]

EFFORTS OF THE UNITED STATES TO SECURE FAIR PARTICIPATION WITH BRAZIL IN THE CANADIAN COTTON MARKET

(See under Canada, volume III, pages 136-149.)

¹² On January 12, 1942, the Embassy submitted drafts of a note, exhibit, and memorandum to the Department embodying the plan for purchasing cobalt, tungsten, and nickel. The Department agreed to this with two alterations on February 2. The approval of the Brazilian Government was reported by the Embassy on March 7, 1942.

CHILE

COOPERATION BETWEEN THE UNITED STATES AND CHILE ON CERTAIN MEASURES FOR HEMISPHERE DEFENSE¹

740.00118 European War 1939/95

*The Acting Secretary of the Navy (Forrestal) to the Secretary
of State*

WASHINGTON, February 1, 1941.

SIR: In the Navy Department's letter of October 28, 1940,² there was expressed the desire to open Naval Attaché, Assistant Naval Attaché, and Naval Observer Offices abroad at a total of twenty-one new locations and the Department of State was requested to make the proper diplomatic representations to the various foreign governments concerned.

It now appears desirable to open a Naval Observer's Office at Punta Arenas, Chile, and it is therefore requested that the Department of State make the usual diplomatic representations to the Government of Chile in order to secure its assent to the opening of the Office.³

The personnel situation of the Navy does not permit of the detail of an officer to this duty until it is known that the proposal is acceptable to the Chilean Government and it is therefore requested that the matter be presented to it in advance of the designation by name of the officer who will ultimately be assigned to the post.

His name will, of course, be referred to the Chilean Government for its consideration as to acceptability as soon as an affirmative reply is received to the proposal of the establishment of the post.

¹ For previous correspondence, see *Foreign Relations*, 1940, vol. v, pp. 52 ff.

² Not printed.

³ This request was based upon conversations held by the American Ambassador in Chile, the Chilean Foreign Minister, and General Staff representatives of both countries from August 19 to September 3, 1940. On September 1, 1940, the Ambassador sought Chile's agreement on four points: (1) To increase surveillance of dangerous elements for the purpose of detaining them in case of emergency; (2) to continue the reciprocal exchange of information on defense and subversive activities; (3) to make preparation for the entry of United States forces by keeping open the routes of entry, maintaining internal order, and making facilities and supplies available; (4) to continue bilateral staff conversations as needed. Chile conditioned its acceptance of these points by offering to include United States experts in its organizations for vigilance and control and thereby increase the surveillance, and by requesting financial terms that would make possible the purchase of armaments from the United States. (810.20 Defense/10-2640)

The Navy Department is desirous of opening this Office at the earliest practicable date and therefore requests that the matter be handled by cable or radio.

Respectfully,

FORRESTAL

740.00118 European War 1939/95 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, February 8, 1941—6 p. m.

26. Navy Department desires to open a Naval Observer's Office at Punta Arenas, Chile. Please inquire whether this contemplated action is acceptable to Chilean Government. Cable reply.

Name of observer will be sent for reference to Chilean Government upon receipt of affirmative reply.

HULL

740.00118 European War 1939/172

The Ambassador in Chile (Bowers) to the Secretary of State

No. 1240

SANTIAGO, March 10, 1941.

[Received March 19.]

SIR: With reference to my telegram No. 82 of March 5, 12 midnight [11 p. m.]⁴ I have the honor to enclose a copy and translation of the confidential memorandum⁴ handed to the First Secretary by the Chief of the Diplomatic Section of the Foreign Office, in which it is stated that the proposed appointment of a United States Naval Observer at Punta Arenas would not be acceptable to the Chilean Government.

It may be explained that in the absence of Dr. Bianchi⁵ at the time of the receipt of the Department's Telegram No. 26 of February 8, 1 [6] p. m., the matter was taken up confidentially with the Chief of the Diplomatic Section, who said he would obtain an informal expression of opinion from the appropriate authorities. The statement contained in the Embassy's Telegram No. 61 of February 19, 6 p. m.,⁴ to the effect that there would be no objection to the contemplated assignment, was conveyed orally by the Chief of the Diplomatic Section, who stated that he had taken it up with the Ministry of National Defense. Subsequently the Ministry of National Defense decided it did not desire to have a Naval Observer assigned, as indicated in the confidential Foreign Office memorandum transmitted herewith.

⁴ Not printed.

⁵ Manuel Bianchi, Chilean Minister for Foreign Affairs.

In my opinion the Chilean Government may be in fact somewhat less emphatic in its objections than the memorandum would imply, and if sufficient information could be supplied to enable the presentation of a clearer picture of the observer's proposed activities, an assent might be obtainable.

Respectfully yours,

For the Ambassador:
 ELLIS O. BRIGGS
First Secretary of Embassy

125.747/32

The Ambassador in Chile (Bowers) to the Secretary of State

No. 1458

SANTIAGO, May 19, 1941.

[Received May 28.]

SIR: I have the honor to report that pursuant to authorization received from the Department, the First Secretary was absent from Santiago for several weeks on a trip through southern Chile which included twelve days in the Punta Arenas area, and that he returned to the capital on May 17. There are transmitted herewith three memoranda⁷ prepared by Mr. Briggs as follows:

1) Confidential memorandum discussing certain strategic considerations. The Department will observe that Mr. Briggs recommends the maintenance of our Consulate at Punta Arenas, and likewise urges that the transfer of patrol vessels to Chile be expedited in order that an effective coast guard service may be instituted by the Chilean Government in the region of islands and channels along the coast of Chile for several hundred miles north of the Pacific entrance to the Straits of Magellan.

This is the area concerning which apprehension exists relative to the possible establishment of a secret foreign supply base, and both the President⁸ and General Escudero,⁹ Chief of Staff of the Army, have expressed themselves to me on the subject of the entirely inadequate surveillance at present possible. The Department will also recall that on previous occasions I have urged that action toward furnishing essential patrol craft be expedited.

2) Memorandum concerning present American representation at Punta Arenas. The Department will be gratified to note the favorable opinion formed by Mr. Briggs of the work of Vice Consul Barker at that post.

⁷ None printed.

⁸ Pedro Aguirre Cerda.

⁹ Oscar Escudero.

3) Memorandum containing general comments concerning austral Chile and the economic situation as affected by war conditions, et cetera. A copy of this memorandum is being sent direct to our Embassy in Buenos Aires as of possible interest to that office.

Respectfully yours,

CLAUDE G. BOWERS

810.20 Defense/1435 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, September 3, 1941—11 a. m.

[Received 6:05 p. m.]

418. For the Secretary and Under Secretary.¹⁰ Last night at a banquet given by the Minister for Foreign Affairs¹¹ for Special Panamanian Ambassador Boyd, Rossetti delivered a speech which he promised me the day before would be "basic and fundamental." He said:

"American solidarity is a combination of the moral, economic and physical forces of these countries to conserve intact, together with their own sovereignty, the beneficial democratic norms which rule us. The solidarity agreed upon only contemplates the employment of force for the common defense in case of extra-continental aggression. Chile is disposed to participate in the defense with serene and irrevocable decision."

This is the first strong public declaration from the Chilean Government of agreement reached with us more than a year ago.

BOWERS

810.20 Defense/1435 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, September 4, 1941—5 p. m.

300. Your 418, September 3, 11 a. m. If you think it desirable, please express to Rossetti on my behalf sincere appreciation for his indorsement of the principles of continental solidarity for continental defense as set forth in his speech, and described in your telegram under reference.

HULL

¹⁰ Sumner Welles.

¹¹ Juan B. Rossetti.

825.00/1417

The Ambassador in Chile (Bowers) to the Secretary of State

No. 1853

SANTIAGO, September 25, 1941.

[Received October 1.]

SIR: I have the honor to report that on September 23, 1941, I called with Mr. Cecil Lyon,¹³ on Señor Rossetti, the Minister for Foreign Affairs to inquire regarding our request for a blanket permission for our ships on patrol in the Pacific to enter the ports of Antofagasta and Valparaiso without previous notice for the purpose of taking on fuel and supplies. He replied that there is no doubt about the granting of the permission and that the request had been sent to the Minister of Marine who acts upon it, and that a reply should come at any moment.

[The remainder of this despatch concerns Chilean domestic policy and the European outlook.]

BOWERS

811.3325/52 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, October 2, 1941—6 p. m.

[Received 9 : 20 p. m.]

493. For the Under Secretary. Rossetti informed me this afternoon that our request for permission for our war vessels to enter Chilean ports without previous notice for refueling and supplies had been discussed with the heads of the army and navy who are favorable but who ask that our tankers transfer fuel to storage tanks in these ports and that our vessels refuel from them rather than directly from our tankers. This to prevent possible attacks from political opposition on charge ports being used as naval bases. It is asked too that the agreement be made bilateral, not that any Chilean ships will avail themselves of the privilege to be extended our vessels, but also to meet political criticism in the event the agreement becomes public. He wants the agreement to be confidential between the two Governments. He will ask the President for his approval tonight.

BOWERS

811.3325/52 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, October 17, 1941—5 p. m.

391. Your 493, October 2, 6 p. m. The text of the following proposed note has received the approval of the Navy Department. If you perceive no objection, you are authorized to deliver this note to the

¹³ Second Secretary of Embassy.

Chilean Foreign Office and request a written reply transmitting the Chilean Government's acceptance of the contemplated arrangement.

"Excellency: I have the honor to inform you that I am in receipt of instructions from my Government stating that the Navy Department of the United States, owing to the presence of raiders in the Pacific Ocean, has expressed the opinion that it is urgently necessary to increase its patrol activities in that ocean. In order to carry out these duties effectively, the assistance of Your Excellency's Government is requested in order that blanket permission may be granted to vessels of the United States Navy engaged in these patrol activities to enter the ports of Antofagasta and Valparaiso for the purpose of obtaining fuel and supplies. The commanders of these vessels would inform the consuls at Valparaiso and Antofagasta as far in advance of their arrival as possible for communication to the appropriate Chilean officials.

It is the intention of the naval authorities of the United States, in the event that this permission is obtained, to purchase fuel from local sources whenever a sufficient supply is available. It may, however, be necessary to transport oil in tank steamers to Antofagasta and Valparaiso. In such instances, it is hoped that Your Excellency's Government will grant such fuel free entry and exemption from payment of charges other than a reasonable fee to the distributing agencies for storage and handling charges. It is also requested that the Navy Department of the United States may be permitted to arrange with the local distributing agencies to provide from existing storage sufficient space for 5,000 barrels at Valparaiso and 5,000 at Antofagasta into which the tankers may discharge their cargoes.

It is hoped that Your Excellency's Government will, in the interest of Hemisphere defense, be good enough to accord favorable consideration to the request of the United States Naval authorities. My Government will be glad to grant reciprocal facilities to vessels of the Chilean Navy which might desire to utilize for similar purposes such ports on the Pacific coast of the United States as the naval officials of Your Excellency's Government might designate."

Please report by cable any comments which you may consider pertinent, and inform the Department promptly as soon as this exchange of notes has been effected.

HULL

740.00111A Neutrality Patrol/186

*The Chilean Minister for Foreign Affairs and Commerce (Rossetti)
to the American Ambassador in Chile (Bowers)*¹⁴

[Translation]

No. 38

SANTIAGO, October 27, 1941.

MR. AMBASSADOR: I have the honor to acknowledge receipt of Your Excellency's note 697 of the 20th instant, by means of which and in

¹⁴ Copy transmitted to the Department by the Ambassador in Chile with his letter of October 27, 1941, addressed to Mr. Welles.

fulfillment of instructions from your Government you request that general authorization be granted to the ships of the United States Navy who are engaged in patrol activities to enter the ports of Antofagasta and Valparaiso for the purpose of obtaining fuel and supplies. The commanders of these ships would notify the Consuls at Valparaiso and Antofagasta concerning their arrival as far in advance as possible, in order that this might be communicated to the appropriate Chilean officials.

Your Excellency adds that in the event that this authorization is obtained, the Naval authorities of the United States have the intention of purchasing fuel in the local market, as long as there may be a sufficient quantity available, but as it may be necessary to transport fuel oil in tank steamers to Antofagasta and Valparaiso, it is desired that the Chilean Government exempt this merchandise from customs duties and other charges, not including the reasonable expenses incurred by the distributing companies in connection with storage and transportation.

Furthermore, the note of Your Excellency requests that permission be granted to the Navy Department of the United States to reach a suitable understanding with the local distributing companies in order that the latter may provide sufficient space to store 5000 barrels at Valparaiso and 5000 at Antofagasta, into which the tank steamers may discharge their cargoes.

As the purpose of the foregoing is to control the activity of certain raiders in the Pacific Ocean, Your Excellency's Government entertains the hope that favorable consideration will be granted to this request in the interest of Hemisphere defense.

Finally, Your Excellency states that the Government of the United States will have the greatest satisfaction to grant reciprocal facilities to the ships of the Chilean Navy, which may desire to use for similar purposes such ports on the Pacific coast of the United States as the competent Chilean Naval authorities may designate.

In reply, I am pleased to express to Your Excellency that the Government of Chile, in order to give evidence of its spirit of continental solidarity in the defense of our Hemisphere, and with a desire of showing once more the spirit of collaboration with which it is inspired in regard to the United States, accepts, on the basis of the above-mentioned reciprocity, the proposal that the ships of the American Navy enter the ports of Antofagasta and Valparaiso, provided that previous notification is given by the respective consuls to the appropriate Chilean authorities.

The Government of Chile cannot of its own accord free from customs duties the fuel and other articles which will be imported into the country for the purpose of supplying these ships, in as much as this

would require legislative action which would mean a long delay and be accompanied by many difficulties.

The Chilean Government is disposed to grant all facilities compatible with existing legislation and to permit that sufficient space will be provided at the aforementioned harbors to store the necessary fuel.

With respect to the latter subject, the Chilean Government would desire to obtain from the Government of the United States the assurance that the stock of fuel thus established could be used to meet the national necessities in urgent cases provided appropriate payment is made in cash, or the fuel thus utilized is replaced after the conditions which have impelled such action have disappeared.

Finally, the Government of Chile will not be obliged to pay for the installations or improvements which may be established at the ports of Antofagasta and Valparaiso. These would be permitted to remain for the benefit of the local population as soon as the facilities now granted have terminated through becoming unnecessary.

I avail myself [etc.]

JUAN B. ROSSETTI

810.20 Defense/1731 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 2, 1941—noon [*midnight?*]

[Received December 3—3:55 a. m.]

678. For the Under Secretary. Referring to my 670, December 2, 5 p. m.¹⁵ In condensed form memorandum received from the Foreign Minister sets forth that in accord with inter-American agreements of Panama and Habana the Chilean Government thinks it urgent to fortify Straits of Magellan and maintain in those waters a number of naval elements for the vigilance and protection of that strategic zone. This in accordance with Chile's responsibility in the collective defense and because the present menace to the peace of the Pacific makes it necessary to take measures to prevent that route being employed against the vital interests of the continent. It then quotes article 5 of the treaty of July 1881¹⁶ in which Argentina and Chile agree to the perpetual neutralization of this region. It goes on to say the obligation falls on Chile because it is sovereign on both coasts and the waters of the Straits to take the initiative in conversations with Argentina to make possible the fortification necessary during the period the security of America is in danger. It says that negotiations promise a speedy successful termination in view of assurances of Argentine Chancery to Chilean Ambassador today. In view of expected suc-

¹⁵ Not printed.

¹⁶ *British and Foreign State Papers*, vol. LXXII, p. 1103.

cessful termination of negotiations Chile wishes to inform the Government of the United States [that] the Chilean Council of Defense and the military, naval and air authorities after a detailed study have arrived at definite conclusions as to the manner of fortification and the material required. Some of the material [is] now here but to obtain the rest the cooperation of the United States in facilitating the acquisition under the Lease-Lend Act ¹⁷ will be necessary. The material desired is set forth in an accompanying memorandum.¹⁸

The full memorandum goes forward by next air mail pouch and memorandum on material will be telegraphed after I obtain clarification from Naval and Military Attachés in the morning.

BOWERS

825.24/256 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 10, 1941—9 p. m.

[Received December 11—4:38 a. m.]

727. For Secretary, Under Secretary and President. Have seen Rossetti second time today. He has finally forced ratification of agreements of Lima, Panama and Habana. Has fought through Council of Ministers declaration of Chile's position on the war. Has taken steps for protection of our property against sabotage. Has put Chile definitely in our orbit and is pledged to Aranha to put Chile with Brazil and the United States, this activity on his part has concentrated against him all our enemies in Congress and outside, and in the Council yesterday he was attacked on the ground that he has not been able to solve economic problems with us. Pedregal¹⁹ attacked us on copper. Minister of Agriculture because we have not sent steel wire which is primary necessity. Rossetti got his way by threatening to resign and the Vice President supported him and he won.

I am positive Rossetti supporting us fully and against opposition far more powerful than any Aranha can encounter. Discussed matters with my staff, and found general agreement and in view of the pressing and paramount importance of the war and our need of Chile now, I make the following recommendations.

1. (a) That we yield to Chile's proposition on copper rather than endanger our position on the supreme issue over a quarter of a cent per pound.

(b) That we discuss with the National City Bank a possible reconsideration of its rigid position on the loan matter, since part payment

¹⁷ Approved March 11, 1941; 55 Stat. 31. See *ante*, pp. 133 ff.

¹⁸ Not printed.

¹⁹ Guillermo del Pedregal, Chilean Minister of Finance.

in pesos under certain conditions was not thought impossible by the bank here.

I personally, as you know, have fought for the copper people and the bank but now that an issue has been forced upon us which involves our interests in the war I feel that the situation has changed. I believe that we cannot let Rossetti down in view of the kind of enemies who are after him.

2. There is a general alarm here, shared by Rossetti, that Chile may be attacked from the sea. Rossetti has ordered the patrol of the coast, preparation for the calling of naval reserves, and a substantial increase in the number. General Escudero is organizing for the protection of our mines. But Rossetti feels very strongly that there should be an understanding between the two General Staffs to the end that Chile may not be entirely in the dark as to what she can expect from us if attacked. He is convinced that Japanese ships are off Chanaral and Tocopilla in the region of the mines.

Rossetti says the attitude of the Japanese Minister is insolent and sarcastic and demanding and cold and Rossetti shares the belief that Chile is very likely to be attacked probably because of supporting forces for Japanese in Chile. He feels Chile would be the center of Japanese fire for all the continent.

3. In Congress where he has thus far won every fight with part of the Rights and Nazis he has been asked if he has any direct assurance that the United States would go to support of Chile if attacked and he has nothing to sustain him beyond assurances by word of mouth. This has made his position so weak that he admits having said this week that he had direct assurances. He feels that he should have something in writing not for publication but for use in secret session in case of necessity. I personally feel he is entitled to it.

To sum up my conclusion is this:

(a) We must give some attention to the essential needs of Chile to prevent unemployment furnished in my telegram No. 645 of November 25, 6 p. m.²⁰

(b) We should give some more, my telegram No. 678, December 2, midnight, regarding what we can do about material for fortification of the Straits.

(c) We should send the tanks urgently asked by General Escudero, see telegram No. 722, December 10, 2 p. m.²⁰

(d) We should give Rossetti written assurance of our aid in case Chile is attacked for his own protection in case he should be attacked for use in secret. I urge this be sent as soon as possible.

(e) We should yield that quarter cent on copper and try to persuade National City Bank to be less rigid on the loan since the bank here did not think Chilean proposal at all impossible.²¹

BOWERS

²⁰ Not printed.

²¹ See telegram No. 571, December 12, 1 p. m., to the Ambassador in Chile, p. 595.

EFFORTS OF THE UNITED STATES TO ELIMINATE AXIS-CONTROLLED AIRLINES IN CHILE

825.796/114 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 15, 1940—11 p. m.

[Received December 16—1:32 a. m.]

305. Raúl Simón, manager of Grace²² in Chile, has informed me that the German Condor Air Line is attempting to obtain authority for a service between Santiago and Arica and that he felt that extension of such authorization by the Chilean Government a serious threat. While my Military Attaché is inclined to discount this possibility (lack of German flying equipment) and even to consider that Simón's approach to me may not be unconnected with Panagra²² subsidy discussions in Washington, I wish to point out that the present Panagra Santiago-Arica schedule is entirely inadequate and scarcely better than once a week since there is a 5-day gap in the twice a week service. When Harris²³ of Panagra was here recently he admitted that Panagra should have a three times a week service between Santiago and Arica and that unless they did the Germans would capitalize the present opportunity. . . .

In any case, however, I desire to emphasize that in my opinion the present Panagra service between here and Arica is altogether unsatisfactory and cannot but create an opportunity for German interests to endeavor to capitalize. Successful opposition to German proposals in the premises would, of course, be greatly facilitated if I had specific information on what Panagra is prepared to do, and how soon, to remedy the defects in the present schedule.

BOWERS

825.796/114 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, January 6, 1941—8 p. m.

4. Your 305, December 15, 11 p. m. The Department has discussed the subject of your telegram under reference with Roig and Harris of Panagra. They say that at present Panagra does not have the equipment or personnel available to operate an additional service between Arica and Santiago, especially in view of the recent loss of an airplane in Ecuador and the partial destruction of another in Buenos Aires. The Department, as well as Panagra, is aware of the deficiency of the present schedules, and will support an application

²² Pan American-Grace Airways, Inc.

²³ H. R. Harris, vice president of Pan American-Grace Airways.

by Panagra for additional equipment and personnel for this service, as well as a mail subsidy from the Post Office Department. The demand, however, for equipment and personnel is so great that the Department must restrict carefully its support of applications to the Priorities Board for equipment and indicate relative preferences. At the present time it is considered that the most urgent cases are in Ecuador and Brazil where the release of equipment will be predicated on the actual removal of present German influence.

Please keep the Department advised of the possibility of the Chilean Government granting any German airline the right to fly between Santiago and Arica, in order that the situation in Chile may be weighed in the light of conditions elsewhere and the limited equipment available.

For your confidential information. Since the American Export Airlines has been certificated by the Civil Aeronautics Board as an additional United States international carrier, it is felt that the possibility for expansion by this company as well as by Pan American and Panagra in the American republics should be taken into consideration.

HULL

825.796/116 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, January 14, 1941—11 a. m.

[Received 6:02 p. m.]

17. Department's No. 4, January 6, 8 p. m. According to Simón, no German proposal for a service between Santiago and Arica has yet been made in writing. However, both he and Shannon²⁴ (manager from Lima who also participated in our discussion) share the Embassy's opinion that so long as the part of the Panagra schedule is so inadequate the Germans have a ready-made opportunity here. [Here follow suggestions as to details of supplying service.]

Recent rumors which have reached the Embassy of attempted sabotage in Peru (tampering with fuel supply) were discussed with particular reference to the situation in Chile. The Panagra representative professed to be fully alive to this danger and to be taking measures (of the adequacy of which my Military Attaché is not, however, convinced).

With reference to the general problem, I surmise that one reason for the apparent lack of interest previously displayed by the company in the Santiago-Arica service is its exclusion from cabotage

²⁴ Of Pan American-Grace Airways.

rights on that relatively long run which probably limits its immediate profit possibilities. In my opinion the best long term arrangement would be some tie-up between Panagra (or perhaps Export Air Lines) and Linea Aerea Nacional which would provide for the development on a cooperative basis not only of service between Santiago and the north but also between Santiago and the populous area of Chile south of the capital. . . . However, I am by no means convinced that given a favorable American proposition and the proper negotiators, coupled with appropriate support by our Government, it would not be feasible for an American company to enter into some cooperative arrangement analogous for example to that in Colombia.²⁷ In all this I am somewhat apprehensive lest our continued failure—in the eyes of certain elements in Chile—to remedy the defects in the present service militate against the prospect of American companies sharing in the future development of Chilean commercial aviation.

BOWERS

810.79665/94

Memorandum by Mr. Livingston L. Satterthwaite of the Division of the American Republics to the Chief of the Division of International Communications (Burke)

[WASHINGTON,] March 25, 1941.

MR. BURKE: The attached despatch from Santiago²⁸ makes it more evident that we should take quick and positive action to persuade the Post Office Department to grant Panagra a third frequency between Santiago and Arica. I understand that with present and promised equipment Panagra will be able to operate this frequency so that it will not be necessary for us to pry another airplane from the Army.

In addition to the threat that Lufthansa²⁹ would be able to obtain a concession from the Chilean Government to operate a service between these two points, the attached despatch indicates the strong possibility of collaboration between L.A.T.I.³⁰ and German interests to operate this and perhaps other services.

As you know the Post Office Department recently informed us (letter lost) that the granting of this frequency did not justify, from the mail point of view, the expenditure of the necessary \$167,000 a year. It is suggested that you call Postmaster General Walker and emphasize to him the desirability from the standpoint of national policy

²⁷ See *Foreign Relations*, 1940, vol. v, pp. 723 ff.

²⁸ No. 1249, March 13, 1941; not printed.

²⁹ The Lufthansa was the most prominent firm in pre-war German commercial aviation.

³⁰ *Lineas Aéreas Transcontinentales Italianas.*

and defense of the granting of this frequency. If Postmaster General Walker agrees to run interference on this request, we can then, if he so desires, arm him with a letter from the State, War and Navy Departments.

810.79665/94

Memorandum by Mr. Stephen Latchford of the Division of International Communications to the Chief of the Division (Burke)

[WASHINGTON,] April 15, 1941.

MR. BURKE: In reply to your inquiry I may say that when the Panagra representatives were in the Department recently Mr. Harris stated that because of the danger of expansion of German aviation in Chile Panagra had, of its own accord, put on an additional frequency between Arica and Santiago and will take its chances in getting adequate remuneration from the Post Office Department.

A day or two ago Mr. Gates³¹ orally confirmed the information in regard to the establishment of additional frequency by Panagra. In the circumstances it will not be necessary for you to telephone the Postmaster General as suggested in the attached RA memorandum.³²

825.796/124a : Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, July 22, 1941—7 p. m.

223. The Department has heard that the Condor Syndicate, a German-owned aviation organization, is said to be negotiating an arrangement with the Chilean Government for a service twice a week between Santiago and Buenos Aires.³³ According to press reports this morning, Peter Paul von Bauer, formerly connected with the Scadta Company in Colombia, is now in Santiago.

³¹ Samuel Gates of the Civil Aeronautics Authority.

³² *Supra*. In response to this communication Mr. Burke indicated in a marginal note: "This should be brought orally to the attention of the Post Office—informally—and 'sold' to that Dept as being a highly desirable development." To this suggestion Mr. Latchford added a note: "April 16, 1941. In the absence of Mr. Samuel, Director of International Mails [of the Post Office Department] I discussed this matter today with Mr. Grayson, who is familiar with the subject, and informed him of the great importance which the Dept of State attaches to this new service. He said the P. O. Dept had granted Panagra a very substantial increase in mail pay for the new service, and that so far as he can judge the Company is fully satisfied."

³³ In reply to this telegram the Ambassador in Chile reported in despatch No. 1694, July 24, that the Condor Syndicate was giving service weekly on this route and that it was not apparent that it would be required under its concession to negotiate for the twice-a-week service which it had scheduled (825.79635/12).

The Department would view as an extremely serious development any action by the Chilean Government which would permit the extension of German aviation services. The Department believes that the existence of these services is inimical to the peace and security of the continent.

WELLES

825.79635/12a : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, September 21, 1941—2 p. m.

332. Department has now received assurances from Panagra that it will be prepared to establish additional service between Santiago and Buenos Aires about October 8. The Post Office Department and this Department are interested in this matter because of the hope that with the establishment of additional air transport facilities by Panagra the operation of the Condor line to Chile might be eliminated. In the circumstances the Department would appreciate having an expression of your views as soon as possible whether it might not be appropriately suggested to the Chilean Government that if it is willing to terminate the Condor operation it will be supplanted by an additional service by Panagra.

In connection with the foregoing Panagra officials have advised the Department informally that they have been approached by an official of the Chilean Air Transport Company on the question whether Panagra would be interested in arriving at an understanding whereby Panagra might avail itself of cabotage privileges. It is suggested that you discreetly discuss this point with the local Panagra representative and advise the Department whether you feel that this matter should be linked with the establishment by Panagra of an additional service between Santiago and Buenos Aires.

HULL

825.79635/13 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, September 25, 1941—5 p. m.

[Received 6:14 p. m.]

472. Department's 332, September 21, 2 p. m. According to Raúl Simón, general manager in Chile of Grace and Company, Panagra has no intention of establishing a permanent additional service with

Buenos Aires unless or until the Condor service is eliminated. It is doubtful that the mere establishment of such service by Panagra would affect Condor operations, which naturally will benefit by the summer boom. The additional service which Panagra will furnish from October would appear to be the customary seasonal extension of service to take care of summer tourist traffic from Argentina. It is to be noted that at the present time because of increased traffic, Panagra has been operating 4 flights a week to Buenos Aires as compared with 3 to the United States by the West Coast.

Simón is of the opinion that the Chilean Government has no legal grounds at present on which to break its contract with Condor which does not expire until December 31, 1942. He remarked however, that possibly Chile might find means to do so if instances like the reported arrest of nine Chileans in Germany should continue. He further remarked that grounds for breaking the Condor contract were available shortly after the start of the war when Condor failed to maintain scheduled services but the Chilean Government raised no objection at the time and full service has been since restored.

Simón says that he has been engaged for some time in intermittent negotiations with the Chilean authorities in an endeavor to establish in principle the right of Panagra to carry on cabotage now forbidden by law. Actually at the present Panagra is not much interested in cabotage business which would interfere with its international traffic. These negotiations were initiated by Panagra, not by the national company, and have not been concerned with the matter of additional trans-Andean service. . . .

It being improbable that the main object of eliminating Condor would be furthered by the establishment of the proposed additional service on a permanent basis, and there being no apparent connection between this question and the delicate cabotage matter, I believe with the Department that the latter should be left for separate and private treatment between the companies.

With regard to the last paragraph of the Department's telegram, the Embassy understands that Montecinos is in the United States representing Chilean air clubs and is interested in some such number of planes similar to the Piper Cub class for civilian use. Chilean air clubs are officially sanctioned and supervised, their head being a Chilean Air Force officer, and benefit from certain special taxes but cannot be said to be an official entity. . . . With further reference to the Condor Line I assume that the Department is aware that it is ostensibly a Brazilian corporation. That its only source of aviation gasoline in Chile is from the Standard Oil subsidiary here and that is not on the Proclaimed List.

825.79635/13

*Memorandum of Conversation, by Mr. John O. Bell of the Division
of International Communications*

[WASHINGTON,] October 14, 1941.

Participants: Messrs. H. J. Roig, Mumper (of Defense Supplies Corporation), Satterthwaite, Latchford and Bell.

A discussion was held by these persons concerning the information conveyed to the Department in a telegram no. 472 of September 25 from Santiago.

It was agreed that the institution of additional services by Panagra was commercially feasible as well as necessary to carry forward the program for the elimination of Condor. Mr. Roig indicated that the pilot situation had eased somewhat and that he felt some confidence that planes could be obtained. Mr. Mumper indicated that if it was absolutely necessary, DSC would help out with a DC-3 although he would prefer not to do so if any other course was open. If DSC is to furnish a plane, it cannot do so before January 1.

Mr. Roig is to advise the Department by telephone when Panagra would be prepared to institute additional services. It was made clear that the matter of timing in this program was of the essence and that consultation between Panagra and the Department would be necessary.

The letter attached ³⁶ is for the purpose of keeping the record clear and obtaining from Mr. Roig a definite commitment on behalf of Panagra.

825.79635/17

The Secretary of State to the Postmaster General (Walker)

WASHINGTON, November 1, 1941.

MY DEAR MR. POSTMASTER GENERAL: Reference is made to a conference between representatives of the Post Office Department and of this Department in the office of Mr. Purdum ³⁷ on October 30, 1941, concerning the air transport services conducted by the Condor air line, under Axis control, between Buenos Aires, Argentina, and Santiago, Chile.

The Condor line now operates two services a week between Santiago and Buenos Aires, and Pan American Grace Airways operates five services a week between these places, making a total of seven frequencies. Pan American Grace Airways has indicated a willingness to increase its services from five to seven, thus providing a daily service,

³⁶ Not printed.

³⁷ Smith W. Purdum, Second Assistant Postmaster General.

and it is expected that with this increase arrangements can be brought about which will result in the elimination of the Condor service.

This Department feels that the proposed increase of services by Pan American Grace Airways is highly desirable from the standpoint of foreign policy and hemispheric defense and strongly recommends that the Post Office Department, so far as its jurisdiction is concerned, cooperate in every way possible with the view to facilitating the plans of Pan American Grace Airways to inaugurate the proposed daily service between Buenos Aires and Santiago.³⁸

With the active cooperation of your Department and of other interested agencies of this Government as well as the governments of the other American Republics concerned, the removal of Axis influence or control over air transportation has now been completed in all of the West coast countries of South America. The elimination of the important Condor service between Buenos Aires, Argentina, and Santiago, Chile, will be an important step toward the complete elimination of Axis influence or control over aviation in the Western Hemisphere.

Sincerely yours,

For the Secretary of State:

SUMNER WELLES

Under Secretary

825.79635/14 : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, November 25, 1941—9 p. m.

488. Your 531, October 18.³⁹ Panagra will establish a daily service on a permanent basis between Buenos Aires and Santiago which will be in effect November 25 eastbound and November 26 westbound.

You are requested to notify the Chilean Government that Panagra is establishing the additional frequencies at the request of this Government in order that there will be no reduction in air services between Buenos Aires and Santiago when Condor no longer operates between those points.

You may also say that since the daily service will be equal to the present frequencies of Panagra and Condor combined, the United States oil companies concerned are being instructed to furnish no more gasoline to Condor for the Santiago-Buenos Aires run as soon as Panagra's daily service is in effect.

³⁸ The Pan American-Grace Airways company agreed to provide the increased service if certain conditions were met, the first of which was that the Post Office Department increase its subsidy to the company corresponding to the additional mileage involved.

³⁹ Not printed.

In view of the comments contained in your telegram under reference, the Department does not expect the Chilean Government to cancel at this time Condor's operating rights in Chile, but the Department does expect that under the circumstances the Chilean Government will not assist Condor in obtaining gasoline from any source.

HULL

825.79635/22 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 4, 1941—8 p. m.

[Received 10:44 p. m.]

690. Referring to the Department's No. 488, November 25, 9 p. m.; and my telegram No. 659, November 28, 6 p. m.⁴⁰ West India⁴¹ has been asked by Condor to deliver 4,000 litres of gasoline. West India officials state have not yet been instructed by their principals to completely cut off Condor's gasoline supply. As Panagra is now operating a daily Santiago-Buenos Aires service it would appear desirable that Condor be forced to suspend operations upon exhaustion of its present stock of fuel. I understand this stock here is approximately 2200 litres. Therefore, I would suggest that the Department immediately direct me or West India's principals in the United States to instruct West India here to deliver no more gasoline to Condor. Unless so instructed West India probably will deliver 2000 litres to Condor on Saturday in accordance with its present instructions to hold deliveries down to approximately a week's supply.

BOWERS

825.796/125b : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 8, 1941.

546. Please deliver paraphrase of following to Mr. H. D. Humpstone, West India Oil Company, Santiago:

"We have been instructed by the State Department to cease immediately all deliveries of gasoline and oil to Sindicato Condor in Chile. The Chilean Government has been notified of this step by the Embassy. You are instructed to comply at once and notify customer the action you are taking is based on instructions issued by the Government of the United States. Signed G. H. Michler."⁴²

HULL

⁴⁰ Latter not printed.

⁴¹ West India Oil Co., a subsidiary of the Standard Oil Co. of New Jersey.

⁴² Official of the Standard Oil Co. of New Jersey.

NEGOTIATIONS FOR A LEND-LEASE AGREEMENT BETWEEN THE UNITED STATES AND CHILE ⁴³

810.20 Defense/713a : Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, March 28, 1941—7 p. m.

65. I have given careful consideration to your letter of March 7 ⁴⁴ and have consulted the War Department.

The requests of the various American republics for assistance in obtaining armaments have been receiving the consideration of the Joint Advisory Board on American Republics, a committee of Army and Navy officers established for this purpose. This board has rendered a report recommending that Chile should obtain in the United States during the Fiscal Years 1941-4, armaments valued at 50 million dollars, of which 40 million is allotted to the Army and 10 million to the Navy. This sum is 10 million in excess of the figure suggested by Señor Pedregal ⁴⁵ during his recent visit to Washington and is based on the same list of matériel which Pedregal altered and reduced. It is not limited to anti-aircraft and coast defense equipment and includes matériel valued at about 5 million dollars which Mr. Pedregal was informed could probably be obtained this year if orders were placed promptly.

It is understood that a portion of the funds recently voted by Congress after the passage of the Lend-Lease bill ⁴⁶ may be made available to supply armaments to the American republics, although the technical details by which this would be accomplished have not yet been elaborated.

Although it is the considered policy of this Government to accord priority to the needs of Great Britain you may rest assured that every effort will be made to furnish Chile with the necessary military and naval equipment in accordance with the above-mentioned plan.

The War Department would much appreciate it if the Chilean Government would designate a representative in the United States with whom it could discuss these subjects. The resumption of staff conversations in Chile is discretionary with you.

WELLES

⁴³ See also section entitled "General policy of the United States for the negotiation of basic agreements relating to Lend-Lease to other American Republics," pp. 133 ff.

⁴⁴ Not found in Department files.

⁴⁵ Guillermo del Pedregal, coordinator of Chile's economic and financial controls; he became Minister of Finance in June.

⁴⁶ Act of March 11, 1941; 55 Stat. 31.

825.24/182: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, May 14, 1941—5 p. m.

117. Your 183, May 9, 4 a. m.⁴⁸ With reference to my 65, March 28, 7 p. m., the President has expressed his approval of the report on Chile's request for armaments prepared by the Joint Advisory Board on the American Republics and has accepted a recommendation made by the Secretaries of State, War and Navy that the provisions of the Lease-Lend Act be made applicable when necessary to supply war material in the amount stipulated by the Joint Advisory Board to such countries as may require this assistance. The Chilean Ambassador has been informed of the foregoing and has been requested to ask his Government to send technical experts to Washington who will negotiate with the appropriate officials of the Army and Navy for the delivery of the materials covered by the report of the Joint Advisory Board and with this Department concerning the method of payment for these materials.

This Government is prepared to commence these negotiations at the earliest date convenient to the Chilean authorities. Please take whatever action may seem advisable to you in order to expedite the departure of these experts.

HULL

810.20 Defense/1071b: Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, July 10, 1941—8 p. m.

202. The Department on July 9 handed to the Chilean Ambassador a draft of basic agreement⁴⁹ for the lend-lease program of transferring military matériel to Chile. The principal financial provisions are as follows: Chile is to receive a total of \$50,000,000 of war and navy matériel of which it is expected \$15,000,000 of army matériel and \$1,000,000 of navy matériel will be transferred during the fiscal year ending June 30, 1942. This delivery date is subject to change if broad defense considerations so require.

With respect to repayment, Chile is expected to pay \$2,500,000 in each fiscal year until 1947, making a total of \$15,000,000 to be repaid prior to June 30, 1947. In consideration of the broad objectives of the

⁴⁸ Not printed.

⁴⁹ Not found in Department files, but see draft printed on p. 139.

program and of certain very general economic concepts, the entire obligation of Chile to the United States would be considered discharged by such payments.

The Ambassador expressed his gratification at the generous treatment to be accorded Chile, and indicated that he would at once transmit the draft agreement by airmail to Santiago.

WELLES

825.00/1407

*The Ambassador in Chile (Bowers) to the Under Secretary of State
(Welles)*

SANTIAGO, August 6, 1941.

DEAR MR. WELLES: Since there are a number of things outstanding concerning which piecemeal it has not been possible to get a very positive picture, I asked Rossetti,⁵⁰ Pedregal and Schnake⁵¹ to lunch on Tuesday at my house, along with Brooks⁵² and Lyon,⁵³ for a general survey. After lunch I told them the purpose of the meeting, asked them to forget diplomacy and protocol and to speak out frankly, as I would, to the end that we may all know precisely where we stand. They expressed themselves as pleased.

1) I brought up the matter of the Defense Loan and expressed surprise that so much time had expired since our proposition was made without a definite answer, especially in view of the insistence of Escudero⁵⁴ of an emergency need. I said that I suspected that the gift of \$35,000,000 had convinced some sceptics in the Senate that there must be a trick somewhere, but that the defense of the continent was of interest to us and that our contribution is not just to Chile but to the common cause of defense. Rossetti admitted that there were some sceptics in the Senate. He said that two days before our Government had made a new proposition which Michels⁵⁵ is sending by plane. Knowing nothing about this new proposition I could say nothing. He implied that his plan is to so word the proposition that on the face of it, it would appear that the value of the fifty million in material is but fifteen million.

[The remainder of this letter is concerned with matters not related or only indirectly related to the Lend-Lease discussions.]

With warmest personal regards, I am

Sincerely yours,

CLAUDE G. BOWERS

⁵⁰ Juan B. Rossetti, Chilean Minister for Foreign Affairs.

⁵¹ Oscar Schnake, Chilean Minister of Public Works.

⁵² Clarence C. Brooks, Commercial Attaché.

⁵³ Cecil B. Lyon, Second Secretary of Embassy.

⁵⁴ Gen. Oscar Escudero, Chief of Staff of the Chilean Army.

⁵⁵ Rodolfo Michels, Chilean Ambassador to the United States.

825.24/2114

*Memorandum of Conversation, by the Assistant Secretary of State
(Acheson)*

[WASHINGTON,] September 16, 1941.

The Ambassador of Chile called at his request. He reminded me that, as he had told me before, he had received from the Lease-Lend organization a notice that he should prepare and submit to that Department his list of requests for military materials within thirty days from the date of the letter⁵⁶ and that the 30 days was running. He said that he desired as soon as possible and, if possible, this week, to reach an agreement on a final draft of the lease-lend agreement. He handed me an *Aide-Mémoire*, copy of which is attached,⁵⁷ and went over with me again the points which he had previously raised, together with some additional ones.

1. He again referred to his request that the dollar amount of the articles to be transferred to Chile be omitted from Article I. He said that he wished this because it would raise suspicions in the Chilean Congress that, if Chile were to receive a larger dollar value than the dollar payments which it was to make, there was some other and undisclosed consideration. It would be agreeable to him to have Article I provide that the United States proposed to transfer to Chile under the terms of this agreement armaments and munitions of war in accordance with the lists to be attached to this agreement from time to time. The lists could then be attached after the signing of the agreement as they were prepared, and there would be an exchange of letters between the Ambassador and the Secretary stating that the lists to be prepared would amount to a total value of about the amount which had already been mentioned. I told him that I would have to confer with other officers about this matter, but that I thought that a solution could be reached along these lines.

2. In Article V he wished to have eliminated the words, "without the consent of the President of the United States of America", and the similar phrase in the second paragraph. The result of this would be to put a complete prohibition upon the transfer of title to the armaments and munitions which either country might transfer to the other. I told him that I saw no serious difficulty about this request, since it was simply waiving a right which the statute permitted to be given to Chile.

3. He referred to Article IV of the draft agreement, which refers to the circumstances under which Chile agrees to make defense articles available to the United States, and requested that the obligation be to

⁵⁶ Of September 2; not printed.

⁵⁷ *Infra.*

make such articles available to the United States to the extent possible and under the terms to be agreed upon. I told him that the suggestion which he made was in accordance with my understanding of the provisions of Article IV.

4. He then referred to Article VI, the patent protection article, which he did not understand, and said that his Government had asked him to inquire what action was contemplated by the Article and how the amounts which Chile agrees to pay were to be determined and in accordance with what provisions of law. After some discussion, he agreed that the provision would be more satisfactory to Chile if it provided that Chile agreed to take action and indemnify citizens of the United States for patent claims in accordance with the laws of the United States, including Section 7 of the Lease-Lend Act, the provisions of which Chile expressly accepted, with similar provisions for the United States, omitting, of course, reference to the Lease-Lend Act.⁵⁸

Since the Ambassador has pressed several times for the conclusion of the agreement, I suggest that we proceed at once to a final revision.

DEAN ACHESON

825.24/2114

The Chilean Embassy to the Department of State

AIDE-MÉMOIRE

[Translation]

1.—To define the scope of Art. IV, that is, the meaning of the obligation imposed upon Chile to make available defense articles and defense information. If the term "defense articles" includes such strategic products as copper, nitrate and iron, it will be desirable to establish the conditions under which such products would be made available.

2.—Art. V would be satisfactory to the Government of Chile if references to consent by the Presidents of the United States and Chile were eliminated, leaving only the solemn promise by both contracting parties not to transfer title to or possession of any defense article or defense information or permit its use by persons not connected with the respective Governments.

3.—With reference to Art. VI, we desire to know exactly the obligation which Chile would assume toward any citizen of the United States who has patent rights in any defense article, as well as the scope and meaning which the agreement gives to the obligation to "take any

⁵⁸ This matter was referred by the Assistant Secretary to the General Counsel of the Division of Defense Aid Reports; for the final reply, see p. 576.

action or make any payment" to protect the patent rights of American citizens when so requested by the President of the United States.

4.—We desire to obtain, as soon as possible, approval on the part of the Government of the United States of some sale formula which will eliminate the idea that a donation is made.

WASHINGTON, September 16, 1941.

825.24/276

The General Counsel of the Division of Defense Aid Reports, Office for Emergency Management (Cox), to the Assistant Secretary of State (Acheson)

WASHINGTON, October 13, 1941.

DEAR MR. ACHESON: Thank you for your letter of October 9, 1941, in which you refer to my memorandum to you of September 29, 1941⁵⁹ regarding the proposed Lend-Lease agreement with Chile.

The terms of the agreement, including Article VI, as it is now drafted, are quite satisfactory with us, as is your proposed letter to the Chilean Ambassador. Article VI is written in the language of Section 7 of the Lend-Lease Act and there is therefore no possibility of an inconsistency between the Article and Section 7.

As now drafted, Article VI of the proposed Chilean agreement contains a reciprocity clause. It is our feeling that, if possible, the patent clause in Lend-Lease agreements should contain only those provisions required by Section 7, and that it would be desirable to eliminate the reciprocity provision. However, if any foreign government insists on the presence of such a provision, we will not oppose its inclusion.

As you know, the patent problems raised by Section 7 are now being studied by the Department of Justice. In the course of that study the questions posed by you in sections 3(a) to 3(d) of your letter will be examined. I therefore suggest that we hold in abeyance all Lend-Lease patent problems and re-examine them after the Department of Justice has completed its current study.

Sincerely yours,

OSCAR COX

825.24/270½a

The Secretary of State to the Chilean Ambassador (Michels)

WASHINGTON, December 9, 1941.

EXCELLENCY: I have the honor to invite Your Excellency's attention to the offer made by the Government of the United States in the interest of hemisphere defense to furnish the Government of Chile

⁵⁹ Neither printed.

with armament valued at \$50,000,000. The equipment for this purpose would be provided under the terms of the Lease-Lend Act of March 11, 1941.

The Congress of the United States enacted on October 28, 1941 the Defense Aid Supplemental Appropriation Act.⁶⁰ Of the funds appropriated under this Act, \$150,000,000 have been set aside for the acquisition of military and naval equipment by the other American republics.

The budgetary limitations, however, require that the funds in question shall be obligated not later than February 28, 1942. In consequence of this, it would be appreciated if Your Excellency's Embassy, provided it has not done so already, would be good enough to present to the appropriate authorities of this Government at the earliest possible date the official lists of the desired equipment in order that the necessary action may be taken toward the procurement of this material.

Accept [etc.]

For the Secretary of State:
SUMNER WELLES

825.24/267

The Chilean Ambassador (Michels) to the Secretary of State

WASHINGTON, 30 December 1941.

EXCELLENCY: I have the honor to acknowledge the receipt, with best thanks, of Your Excellency's communication of December 9, 1941, in which my attention was drawn to the offer made by the Government of the United States in the interest of hemisphere defense to furnish the Government of Chile with armament valued at \$50,000,000 under the terms of the Lease-Lend Act of March 11, 1941. It was duly noted that the budgetary limitations required that the funds shall be obligated not later than February 28, 1942, and as a consequence Your Excellency suggested that the official lists of the desired equipment be presented to the appropriate authorities of the Government of the United States at the earliest possible date in order that steps might be taken toward the procurement of the material.

I beg leave to bring to Your Excellency's notice that I am now in receipt of proper instructions which will enable me to proceed with the matter, and every effort will be made on my part to satisfy the budgetary limitation requiring the funds to be obligated before February 28, 1942.⁶¹

Accept [etc.]

R. MICHELS

⁶⁰ 55 Stat. 745.

⁶¹ The Lend-Lease Agreement was not finally concluded, however, until March 2, 1943.

NEGOTIATIONS TO PROCURE FOR THE UNITED STATES STRATEGIC MATERIALS FROM CHILE

811.20 (D) Regulations/2776: Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, June 28, 1941—8 p. m.

175. On the assumption that the export control legislation, referred to in the Embassy's despatch no. 1554 of June 9,⁶² will be enacted in the near future, the Metals Reserve Company⁶³ has formulated an offer to acquire all of the exportable surplus of Chilean copper ores and concentrates (excluding copper in the form of metal all of which is handled by American companies), manganese, mercury, antimony, molybdenum, lead concentrates, and cobalt except that portion of these products which is sold to private interests in the United States or to other Latin American republics which have established systems of export control paralleling the export control system of the United States. The form of the Metals Reserve offer (except as hereafter specified with respect to cobalt) would be to purchase a certain specified amount of each of the aforementioned materials which amount would be slightly in excess of the Chilean production of these materials. The offer would thus be in substance to acquire the entire Chilean production of each material. Any amounts purchased by the private trade in the United States would be credited against this obligation of the Metals Reserve Company. The agreement would be for 1 year with a clause stating that it is the intention of the parties to negotiate at the end of the year with a view to the renewal of the agreement for a further period of 1 year. The prices would be negotiated in detail once the principle of the agreement were accepted by the Chilean authorities. During the life of the agreement, the export of the products subject to the agreement would be prohibited except to the United States and to other American republics having export control systems parallel to that of the United States.

In view of shipping difficulties, it may be that the copper ores and concentrates will have to be stockpiled in Chile at least for some time. It is believed that shipping space can be provided for the manganese, antimony, mercury, molybdenum and lead concentrates.

It is understood from your despatch no. 1543 of June 7⁶² that no cobalt will be produced during the forthcoming year but that it would be desirable that Metals Reserve offer to assist in providing a competent engineer to be placed in charge of production and, if such

⁶² Not printed.

⁶³ A purchasing agency of the Reconstruction Finance Corporation operating under the Federal Loan Agency.

engineer so recommends, to provide some financial assistance to accelerate the improvement program. Metals Reserve Company is disposed in principle to assist in this way provided that the Chilean Government will impose an export embargo on cobalt for a period of 3 years, thus in effect nullifying the purchase option which was referred to in the Embassy's despatch. The financial assistance might take the form of an advance payment on the entire production for a period of 18 months after the mine comes into substantial production, which event will take place, it is understood, in about 18 months from the present date.

Mercury could be handled in the same way as manganese and the other metals first mentioned, the only difference being that the price would presumably be negotiated by Metals Reserve directly with the Compania Minera Punitaqui instead of with the Chilean Government.

You are requested to discuss this offer of the Metals Reserve Company with the Chilean authorities and to telegraph the Department whether the proposal of Metals Reserve Company is acceptable in principle. If it is, Metals Reserve Company is willing to designate a representative to act on its behalf in assisting you with the negotiations as soon as the legislation has been enacted authorizing export control.

WELLES

825.5151/629 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, June 30, 1941—6 p. m.

[Received 11 : 55 p. m.]

288. At the close of last week Finance Minister Pedregal extra officially informed representatives of the Embassy that an increasingly delicate financial situation and a prospective decline in customs revenue soon would require the Government to take definite steps to raise more income and obtain additional foreign exchange. He stated that official opinion in this connection was that a new arrangement would have to be made with respect to copper and consideration was being given to three proposals: namely,

1. Placing an export tax on copper. This proposal be [*he*] regarded as particularly dangerous as it had much political support and would meet with no opposition in Congress:

2. Requiring the copper companies to return a substantially larger percentage of the value of their exports. This could be accomplished by decree;

3. Creating a Chilean Government monopoly to purchase all copper and resell it to foreign buyers, the Government retaining the difference

between the purchase and f.a.s.⁶⁶ selling prices. This proposal be [*he*] declared has been given impetus by the Japanese Government whose diplomatic representative here has submitted to the Foreign Office a formal offer to purchase 100,000 tons of electrolytic copper at 14 cents per pound free alongside Chilean ports; payments to be made in the United States dollars and the buyer to provide shipping space.⁶⁷

Pedregal confided that he was not in sympathy with any of these proposals but as some action was inevitable he favored an arrangement which would be acceptable to his Government, the United States Government and at the same time would leave Chilean copper in position to compete in world markets after the conclusion of the war. He therefore had in mind the negotiation of a 2-year agreement between the Government of Chile and the United States giving the latter an exclusive monopoly of all Chilean copper, including concentrates and ores, which it would purchase for resale in the United States and all other markets. In return therefor the Chilean Government would be designated the exclusive purchasing agent of the United States and receive for its services a fee of one to two cents a pound over prevailing prices for Chilean ports; the fee to be paid in dollars and the United States to provide shipping space. The agreement, it was intimated, also should contain a provision requiring the copper companies to establish in Chile a plant for the primary fabrication of copper products (bars, rods, sheets, plate wire, et cetera) to relieve Chile's dependence on foreign markets for these items.

Turning to the question of iron and steel Pedregal stated that he proposed discussing an arrangement with Bethlehem Company which annually exports some 1,600,000 tons of high grade Chilean ore whereby that concern would supply Chile using its vessels which presently are arriving empty, with certain quantities of basic steel products (plates, sheets, bars, et cetera) of which he asserted there is an acute shortage.

Pedregal conveyed the impression that political elements were determined to agitate the question of Chile taking advantage of the world copper situation and that he is sincerely desirous of working out a plan which is sensible, not too drastic, not burdensome to copper companies, but which at the same time will satisfy the politicians, make available all the copper to the United States for defense and other purposes, and will give to Chile the additional revenue she requires.

Pedregal declared that his object in informing the Embassy was to acquaint it with the trend of official opinion with respect to copper and to obtain from the Department its reaction to his proposal which might

⁶⁶ Free alongside ship.

⁶⁷ For the arrangement under which United States purchased copper from certain American Republics, see *Foreign Relations*, 1940, vol. II, pp. 300 ff.

serve as the basis of an agreement to be negotiated giving the United States a monopoly of all Chilean copper.

Pending receipt from the Department of comment on Pedregal's proposal I am holding in abeyance any action on Department's telegram 175, June 28, 8 p. m., regarding the offer of Metals Reserve Company.

BOWERS

825.5151/629 : Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, July 4, 1941—3 p. m.

188. Your 288, June 30. The following is our provisional judgment after talking with Federal Loan Administrator.

The ideas which you report as under consideration by Finance Minister Pedregal appear to us undesirable. We realize the interest of the Chilean Government in securing, in all reasonable measure, revenues from the Chilean copper production during this period. These revenues have already been benefited by the fact that we are now affording Chile a reliable market for all its copper. The amounts currently being purchased are very substantial, and it is our understanding that, in addition to the amounts contracted for by the Metals Reserve Company, there will be prospectively available between now and the end of the year approximately 175,000 tons produced by the Anaconda and Kennecott companies, all of which the Metals Reserve Company is prepared to buy. The Metals Reserve Company is now in active discussion with representatives of the Anaconda and Kennecott copper companies and bearing in mind the Chilean interest is offering a price increase for the 175,000 tons to which reference has just been made.

It is to be anticipated that the copper companies will be discussing the whole situation with the Chilean Government and our hope is that out of the conversations, on the one hand with Metals Reserve Company and on the other hand with the Chilean Government, an arrangement that will be satisfactory to the Chileans will result.

In regard to the matter of iron and steel, you may assure Pedregal that this Government will do everything possible consistent with its urgent needs for national defense to make available the iron and steel production needed by Chile for important national purposes, and will promptly consider, in detail, any request brought before it by the Chilean Government.

Our judgment is that it might be of use to have you proceed with the proposal contained in our 175 of June 28 regarding copper concentrates.

WELLES

825.5151/629: Telegram

The Acting Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, July 25, 1941—11 p. m.

233. Reference Department's 188 of July 4 and previous. The Department is informed that because of the lack of shipping to transport copper concentrates and ores from Chile to the United States certain American companies are about to disband their organizations in Chile for the purchase of these concentrates and ores. This necessarily increases the amount of these materials available for disposition to undesirable destinations. Accordingly, and despite the pendency of the problems which are referred to in the Department's 188 of July 4 and the Embassy's 288 of June 30, it seems desirable to press urgently for the acceptance of the proposal set forth in the Department's 175 of June 28 whereunder Metals Reserve would buy the exportable surpluses of Chilean copper concentrates and ores, cobalt, molybdenum, mercury, lead concentrates, manganese and antimony. Therefore, unless it is your belief that the prospect of reaching an agreement with the Chilean authorities is most unlikely, the Metals Reserve Company proposes to instruct Graham⁶⁹ (see Department's 169 of June 25⁷⁰) or his assistant Miller to communicate with you at once for the purpose of carrying out negotiations in collaboration with you for an overall agreement along the lines set out in the Department's 175. Will you telegraph the Department if this proposal meets with your approval?

The British Embassy has advised the Department that the British Government proposes to offer to purchase the entire exportable surplus of wool in Chile. The British Embassy has suggested that it might be desirable to present the two buying programs simultaneously, with the possible effect of their reinforcing each other. You are requested to consult with your British colleague and to coordinate the two offers in so far as may seem desirable.

For your information, the Department is now discussing as a matter of urgency, an improvement in the price paid for Chilean refined copper.

WELLES

⁶⁹ H. R. Graham, representative of the Metals Reserve Company in Chile.

⁷⁰ Not printed.

811.20 (D) Regulations/3941 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, August 3, 1941—10 p. m.

[Received August 4—3:40 a. m.]

360. Department's cable No. 175 of June 28. Upon its receipt of the proposal of the Metals Reserve Corporation communicated to the Chilean Government on July 9,⁷¹ the Foreign Office has handed me a *note verbale* which in translation reads as follows:

"The Embassy of the United States of America has been good enough to communicate to the Ministry of Foreign Relations a proposal of the Metals Reserve Corporation for the purchase of all of the exportable production of Chile's ores and concentrates of copper, manganese, cobalt, molybdenum, concentrate of lead and cobalt, with the exception of that portion of said production which is sold to private interests in the United States or to those other Latin American Republics which may have established systems of export control analogous to that which is applied in the United States.

The Ministry of Foreign Relations has the honor to inform the Embassy of the United States that the Chilean Government accepts in principle said proposal and is ready to initiate by means of its competent technical organisms the negotiation of an agreement with the Metals Reserve Corporation.

The Chilean Government proposes that the purchases of the Metals Reserve Corporation also be extended to the gold ores and concentrates which the American Smelting Company used to acquire and whose high silica content is useful to the North American smelters.

In the opinion of the Department, the agreement in reference should be based on the negotiation of contracts to export to the United States with all the important producers and organizations at present purchasing and exporting minerals, on the following terms:

1. To assure the delivery of all the minerals which may be available, the contracts should stipulate amount in excess of those actually being produced.
2. The contracts should be concluded for a period of 3 years on the basis of fixed purchase prices.
3. The value of the minerals should be paid for upon delivery of same at Chilean port, and loading charges and freight should be for the account of the purchaser.

The before mentioned terms would tend to assure the exclusive sale of the minerals to the United States since the conclusion of contracts with all producers, for amounts in excess of the ordinary production and for appreciable periods of time, will practically exclude any other eventual purchaser.

Considering that the establishment in the country of a minerals smelter would have the advantage, among others, of reducing the need for shipping space between Chile and the United States the Chilean

⁷¹ Not printed; the Embassy's note of July 9 was based on Department's telegram No. 175 of June 28, p. 578.

Government desires in addition that priority and authorization to export from the United States be granted for the necessary machinery and installations for the National Minerals Smelter of Paipote, the order for which is now pending the decision of the American Government.

The Chilean Government believes also that the development and improvement of Chilean mineral production would be of mutual benefit to the industries of both countries and in this sense it would like the Export and Import Bank to grant credits, either directly to the producers or to the Fomento Corporation,⁷² for the mechanization of mines, installation of concentrating plants, construction of highways, the acquisition of transportation equipment, et cetera."

In view of this acceptance in principle and as I believe there is reasonable prospect of concluding contracts at this time for the purchase of the exportable production of some, particularly copper ores and concentrates and manganese, if not all the several classes of minerals produced in Chile, I approve the Metals Reserve Corporation immediately instructing its representative to communicate with the Embassy for the purpose of carrying out negotiations as soon as possible.

Once purchase contracts have been concluded for any class or classes of mineral products, Chile may be expected to restrict their export only to the United States and those other American Republics having systems of export control. It is unlikely that Chile can be prevailed on to impose export restrictions prior to the conclusion of such contracts.

I am of the opinion that the Government will not insist too strongly on the Paipote smelter proposition were it to endanger reaching an agreement and I believe the desired financial aid can be limited to facilities—credits or possibly advance payments against future production—for the development only of manganese properties.

The British Embassy advises that it is uninstructed in the matter of wool purchases mentioned in the Department's telegram 233.⁷³

BOWERS

811.20 Defense (M) Chile/7

The Ambassador in Chile (Bowers) to the Secretary of State

No. 1779

SANTIAGO, August 25, 1941.

[Received September 2.]

SIR: I have the honor to report in connection with the proposed purchase of certain Chilean concentrates and ores by the Metals Reserve Company that Mr. Thomas J. Williams, mentioned in the De-

⁷² Corporación de Fomento de la Producción, a Chilean Government corporation.

⁷³ July 25, 11 p. m., p. 582.

partment's Telegram No. 249 of August 7, 6 p. m.,⁷⁴ arrived in Santiago on August 18. He immediately called at the Embassy and on the following morning was introduced to Mr. R. P. Miller, the Metals Reserve Company's special representative in Chile and the special representative in this country of the Federal Loan Agency, to serve in the absence of Mr. Horace Graham.

After Messrs. Williams and Miller had conferred with me regarding the general aspects of the plan of the Metals Reserve Company and had studied, in conjunction with my Commercial Attaché, all the detailed information on the subject in the Embassy's possession, I presented them at 1 p. m. Friday, August 22, to Foreign Minister Rossetti. At the same time I handed him my Note No. 603, of which a copy is enclosed,⁷⁵ advising that the Metals Reserve Company now was ready to discuss the acquisition of the exportable surpluses of certain Chilean concentrates and ores and that the special representative of the Company, Mr. Miller, was authorized to negotiate a purchase agreement in collaboration with the Embassy. Mr. Miller also handed the Foreign Minister a letter in the same tenor. A copy of Mr. Miller's letter is also enclosed.⁷⁵

Mr. Williams outlined the essential points of the Metals Reserve Company's plan to Rossetti who immediately endorsed it and expressed the hope that there would be no delay in reaching an agreement to which end he promised his complete cooperation. The Foreign Minister declared that it was his desire to go along in every way with the United States in promoting hemispheric solidarity but difficulties were being experienced in Congress where the opposition was charging the Government with neglecting the national interest. The prompt conclusion of a satisfactory purchase agreement with Metals Reserve, he said, would greatly strengthen his and the Government's position in Congress and would facilitate obtaining favorable consideration of other important measures involving continental defense and economic cooperation. He explained that the United States had not received the measure of credit, to which it was entitled, for the aid it already had extended Chile largely because such aid had benefited the "vociferous little fellows" only in an indirect way. An agreement with the Metals Reserve Company, he declared, would drive home the fact that the United States was interested in their welfare and was genuinely desirous of helping Chile.

As proof of his wish to go ahead at once with negotiations, Rossetti appointed a committee composed of the President of the Miners' Bank, the Subsecretary of Commerce, the Vice President of the Fomento Corporation, the Vice President of the Mining Society and a

⁷⁴ Not printed; Mr. Williams was a representative of the Metals Reserve Co.

⁷⁵ Not printed.

representative of the Ministry of Fomento to meet with Messrs. Williams and Miller at six p. m. Friday afternoon. The meeting, presided over by Rossetti himself, was carried on in an atmosphere of mutual frankness and cordiality according to the special representatives of the Metals Reserve Company. At the express suggestion of the Foreign Minister, who declared that he did not wish to give the meeting too much of an official character, no representative of the Embassy attended. However, a report of the meeting is contained in the enclosed copy of Mr. Miller's letter No. 2 to the Vice President of the Metals Reserve Company.⁷⁶ There also is enclosed for the information of the Department copies of Mr. Miller's letters numbers 1 and 3 to the Metals Reserve Company⁷⁷ wherein he sets forth in detail his estimate of the situation and his views on the prospects of negotiating an over-all agreement for the purchase of the concentrates and ores.

The Chilean reaction to the Metals Reserve's proposal will be summed up in a memorandum the Committee has promised to submit to Mr. Miller. While it is too early to venture an opinion as to the ultimate outcome of the negotiations I believe, with Mr. Miller, that to obtain an over-all agreement it may be necessary for Metals Reserve to

- 1) agree to taking deliveries in Chile instead of f.o.b. steamer Chilean ports,
- 2) offer slightly better prices for some ores and concentrates, particularly those of copper,
- 3) purchase the Chilean gold ores
- 4) offer contracts for a period longer than one year.

Refusal to make concessions along these lines might jeopardize the negotiations which, if they are not carried to a successful conclusion, could have unfortunate political repercussions here and lead to the questioning of the sincerity of the whole good neighbor policy.

To surround the negotiations with as favorable an atmosphere as possible, Rossetti tendered a luncheon on Saturday, August 23, to Messrs. Williams and Miller, there being present on the occasion the members of the Chilean Commission, influential members of Congress and individuals prominent in the mining industry. Both the meeting with the Commission on Friday and the luncheon the following day were given wide publicity in the local papers. The principal press articles, clippings of which are enclosed, were inspired by the Foreign Minister who was quoted by the *Diario Ilustrado* as having said: "it is the firm purpose of the Government to obtain, by all the means at its command, the stability and prosperity of the small mining industry, assuring it prices which will permit the development of its maximum productive capacity."

⁷⁶ G. Temple Bridgman; letter of August 23 not printed.

⁷⁷ Not printed.

Mr. Williams returned to Buenos Aires yesterday, leaving Mr. Miller to continue with the negotiations in collaboration with the Embassy. His presence here was most helpful in starting the negotiations. Both he and Mr. Miller made an excellent impression on all with whom they came in contact and it is my observation that the Metals Reserve Company has in these men two very capable and competent representatives.

The Department will be kept fully informed of all phases of the negotiations.

Respectfully yours,

CLAUDE G. BOWERS

811.20 Defense (M)/3031 : Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, August 26, 1941—5 p. m.

[Received 10:45 p. m.]

405. For Under Secretary. Saw Rossetti this morning:

1. Metals Reserve negotiations. Said he had created a perfect atmosphere, which is true, and had used the press for the purpose. Found our representatives sympathetic and understanding and feels positive an agreement certain. . . .

2. Increase of one and one quarter cents on copper. Minister had not yet been informed by Michels⁷⁸ and asked for a memorandum which has been sent. Reported here that Michels has called up his friends here and informed them while failing to inform the Minister. Rossetti seemed greatly interested.

3. Copper export tax. He insisted there is no cause for worry. He recalled his statement to me previously, as reported, that Government cannot prevent Congress from initiating such measures, and that Government cannot oppose such measures openly when thus initiated because of public opinion. . . . He said that there are two propositions pending, one to devote proceeds of this tax to armaments and the other to housing and public works. His plan is for Government to propose or sponsor a measure devoting tax to public works since this will lead to prolonged Congressional discussions and Congress adjourns on September 18, only to reassemble on the call of the President. Before it reassembles he hopes some plan as to copper can be worked out by the two Governments. Says that copper tax proposal dangerous as for many years Chileans have looked to such taxes on nitrate, etc., to evade the necessity of imposing domestic taxes.

4. I reminded him that Chile's answer on the ship plan proposed by the sub-committee of Inter-American Financial and Economic Ad-

⁷⁸ Rodolfo Michels, Chilean Ambassador in the United States.

visory Committee⁷⁹ is due by August 28, and he said that he would do everything to hurry it.

BOWERS

811.20 Defense (M) Chile/1b : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, August 29, 1941—noon.

292. The Under Secretary discussed current phases of relations between Chile and the United States with the Chilean Ambassador yesterday, with particular reference to the copper situation and the electric company matter.

Mr. Welles pointed out that the price to be paid for Chilean copper by the Metals Reserve Company had formed the subject of lengthy and exhaustive discussions over a period of weeks and that on August 23 a solution was reached which seemed acceptable to the Chilean Ambassador and the basis of which was the abandonment by the Chilean Government of current proposals for an export tax on copper. Mr. Welles said that he had learned with great surprise that, on August 26, the Chilean Government had presented to the Congress an export tax proposal. He referred generally in this connection to the considerations which have already been made known to you.

Mr. Welles also discussed with the Ambassador the electric power company matter. He stated that of course the question of Government ownership or operation is one which only the Chilean Government can determine, but that the fundamental fact with which the two Governments are currently faced is that Chile is in no position to offer adequate compensation for the properties.

Mr. Welles concluded that this Government has gone out of its way to cooperate with the Chilean Government in every way and that it is therefore particularly unfortunate for this Government to be confronted with the steps which the Chilean Government apparently contemplates taking against the legitimate interests of United States investors in Chile. Mr. Welles said that, even the knowledge that such steps are being contemplated has a tendency to destroy confidence in Chile and Chilean credit and naturally to dampen the desire of this Government to continue cooperating with Chile, to say nothing of the adverse effect upon any possible flow of private capital.

Please discuss these matters yourself with the Foreign Minister at once along the same lines, and make it clear that continued cooperation between Chile and the United States must necessarily be bilateral and not unilateral.

HULL

⁷⁹ See pp. 185 ff.

811.20 Defense (M) Chile/8: Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, September 4, 1941—5 p. m.

[Received 10:35 p. m.]

422. Reference my despatch No. 1779, August 25. The Chilean Commission appointed by Rossetti has submitted to Miller an informal unsigned memorandum outlining its views regarding the basis for an over-all agreement with Metals Reserve. According to the Commission the agreement should:

1. Cover all minerals produced including gold ore and concentrates, and any probable increases over previous production of manganese, zinc, cobalt and mercury.

2. That prices should not be less than those ruling in the market and should be established for production placed Chilean ports with payments 90% against delivery.

3. That the length of the agreement should be for not less than 3 years.

4. That long term loans should be made available for the development of new production of copper and manganese.

5. That priority and export licenses be granted for the Paipote smelter materials.

6. That Chile be able to count on obtaining steel, repair parts and other materials essential to the mining industry.

Our reaction is that any agreement with Metals Reserve should be conditioned on a satisfactory solution of the copper tax problem but if it is believed desirable that we proceed with negotiations then it would be helpful to receive from Metals Reserve final prices for all mineral products including antimony and zinc, also authority to discuss an agreement up to 18 months if necessary but refusing any commitments with respect to points 4, 5 and 6.

BOWERS

811.20 Defense (M) Chile/8: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, September 8, 1941—4 p. m.

309. Your 422, September 4. Prices for all products are being communicated by Metals Reserve to Miller.

With respect to the numbered paragraphs of your 422:

1. As you know, Metals Reserve does not presently have legal authority to purchase gold ores and concentrates but in view of the strong recommendation on this subject made by Miller in his letter to Bridgman dated August 23,⁸⁰ Metals Reserve without making any

⁸⁰ Not printed.

commitment at the moment is studying the problem with a view to finding some solution which will be satisfactory to the Chileans. In your conversations with the Chilean authorities, you are requested not to make any commitment on behalf of Metals Reserve with respect to gold ores and concentrates but at the same time not to close the door to the possibility of a solution satisfactory to Chile.

Metals Reserve does not understand your reference to "all materials produced." If there are any minerals not presently the subject of discussion, please specify what they are.

With respect to increases over the previous production, Metals Reserve will buy maximum amounts for each material in each year up to 125% of the exports of the material in question for the preceding year.

2. Metals Reserve agrees that prices shall be established f. o. b. Chilean ports; 80% payable upon delivery at port and an additional 10% if cargo is not moved within 4 months, the balance payable upon receipt of final analysis and assay.

3. Metals Reserve is willing to have the agreement for 18 months and no longer, prices to be reviewed at end each 6 months period.

4. The Department and the interested agencies are unwilling to accept the proposal concerning credits for new copper and manganese projects. If there are any copper deposits of excellent quality which could be brought into production immediately, the development of such properties might be desirable. But it is felt that the loans, aggregating \$22,000,000, already authorized to Fomento by the Export-Import Bank are sufficient to provide funds for this purpose.

5 and 6. The policy of this Government with respect to these questions has been recently officially stated by the Under Secretary of State in an address⁸¹ on the occasion of the anniversary of the declaration of Uruguayan independence on August 25, 1941 as quoted in Radio Bulletin 202 of August 25.

It is believed that this official declaration should reassure the Chilean Government that every effort will be made to assist the Chilean economy in so far as this may be done without seriously impairing the national defense effort.

In order further to reassure Chilean authorities, the Department is now considering a proposal to assign an officer to the Embassy in Santiago for the purpose of consulting with the Chilean authorities on their needs and of conveying to the Department for action here recommendations for the granting of export licenses on products urgently needed. With specific reference to the Paipote smelter materials, the Department is sympathetic with the Chilean desire and wishes that you assure the Foreign Minister that any charges that

⁸¹ Department of State *Bulletin*, August 30, 1941, p. 163.

the Department has been influenced by American smelters to block the Paipote project are unwarranted. However, you should impress it upon the Chilean authorities that the Paipote materials will have to be considered in connection with the entire allocation subject and must necessarily be subject to prior needs of national defense.

The Department and Metals Reserve desire that you continue the negotiations for an overall purchase agreement but it is thought that you could seize this occasion without establishing it as a condition precedent to impress upon the Chileans that this Government earnestly hopes that the copper tax matter may be out of the way before the agreement is signed.

HULL

811.20 Defense (M) Chile/39: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, October 24, 1941—2 p. m.

407. This Government is desirous of increasing its copper supplies. The Anaconda Company has informed the Federal Loan Agency that with a new capital expenditure of about \$5,000,000 it can within a relatively brief period increase its production at the Chuquicamata mine about 25,000 tons annually. This would be of genuine importance in our defense program.

However, before the Anaconda Company can undertake this new investment, it seeks assurance, and it seems to the Department to be justified in its wish, as regards the tax treatment of the American copper companies in Chile. This makes it desirable that this outstanding question is settled as soon as feasible and on terms that are not excessive.

Second, the Anaconda Company believes that after the war emergency it will have no market for the increased production resulting from the new investment. It compares this new investment with that which many companies are undertaking in the United States to increase production for emergency defense purposes. It therefore requests the Chilean Government to consider according to it on this new investment the same treatment accorded by American tax laws, to wit, the privilege to amortize it at the rate of 20 percent a year. This also seems to the Department a reasonable request.

Would you please discuss this matter at once with the Chilean Government with a view towards clearing a way for this new investment and of getting a prompt and satisfactory settlement of the tax question which is creating prolonged uncertainty.

Contemporaneously, the Department is urging upon the Federal Loan Agency an increase in the price they are paying for all the copper that they may buy from Chilean production to 11¾ cents f.a.s. New York (which is the equivalent of the present United States price of 12 cents per pound Connecticut River Valley delivery). There is a good chance that the Federal Loan Agency can be persuaded to make this price increase at the same time these other matters are settled. This would of course bring further increases in Chilean tax revenues.

HULL

811.20 Defense (M) Chile/39: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, November 6, 1941—8 p. m.

445. Department's 407, October 24 and 383 of October 13.⁸² The Department and the Federal Loan Agency would appreciate very much an immediate report on the copper tax questions presented in these instructions.

Satisfactory solution of these matters is most important for the assured continuation of Chilean copper supplies on reasonable terms. Information received is to the effect that the Finance Committee of the Congress will report on these matters on November 11 and that decision will be reached shortly thereafter.

The Federal Loan Agency, which is executing the whole program for procuring adequate copper supplies for defense purposes after full and careful study of the whole situation is of the opinion that a reasonable compromise would be as follows: (a) That the present rates of the income tax remain unchanged on the income calculated on the basis of 10 cents c.i.f. New York. (b) That the additional income received as a result of increase in price above this 10 cent figure be subjected to an additional tax of 17 percent.

The result would be that all net income received on the basis of the 10 cent price would pay income tax of 33 percent and all income received additionally on price above 10 cents would pay a 50 percent tax.

It is calculated on the basis of prospective purchases of 500,000 tons at 11.75 cents this would bring the Chilean Government a tax revenue of roughly 8¾ million dollars more than it received on the basis of the 10 cent price, which should be satisfactory.

This is for your guidance in handling this matter with the appropriate authorities.

HULL

⁸² Latter not printed.

811.20 Defense (M) Chile/55: Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 1, 1941—5 p. m.

[Received 10:38 p. m.]

663. Reference my telegram No. 654, November 27, 8 p. m.⁸³ Rossetti's memorandum on copper delivered this morning. Chile agrees to proposition that Anaconda Mining Company be permitted to amortize expended rate of 20 percent annually the sum to be spent on enlargement of plant.

While Chile does not agree with Federal Loan Agency to a 50-50 division of the difference between 10 and 11¾ cents per pound she proposes "in a spirit of conciliation" the memorandum says that:

"The additional price and the initial domestic quotation of 10 cents per pound, would be divided equally between the Chilean Government and the producers, with the sole limitation that the former is assured at all times of a minimum of a cent and a quarter profit per pound. This formula carries with it the idea that all new increases in price above that of 11¾ cents up to 12½ cents per pound will be entirely for the benefit of the producers and that only when the price shall reach 12½ cents will the Chilean Government participate in the new increases of the domestic price.

The proposition contemplates the division of profits in equal parts as the producers and the Federal Loan Agency desire, since all the probabilities indicate that the price will go to 12½ cents or more in view of the actual scarcity of copper in the United States.

The Government cannot promise conclusively what will be the final decision of the Congress but believes that if the formula above expressed is given prompt acceptance it can be defended with success in the Chambers before the Presidential election campaign begins, at which time the matter might be placed before the public, which might demand more exigent terms."

A copy of the memorandum and translation⁸³ is being forwarded by air mail today.

BOWERS

811.20 Defense (M) Chile/58: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 3, 1941—6 p. m.

515. From the Under Secretary. At my request the Chilean Ambassador called to see me on December 2 to discuss the copper tax

⁸³ Not printed.

question. I handed him a written proposal prepared by the Federal Loan Agency, which was in résumé as follows:

- (1) Existing income taxes to remain unchanged on 10 cent CIF New York Chile copper and no export tax of any kind to be assessed.
- (2) For such time as Metals Reserve Company pays 11¾ cents per pound CIF New York Chilean Government would skim off in excess profits tax 1 cent, while ¾ of a cent would go to copper companies free of all income or other taxes.
- (3) If in future prices are advanced the first ¼ cent would go to copper companies free of tax and if price were to advance beyond 12 cents CIF New York, the increased revenue would be subject to further discussion.
- (4) The Chilean Government to permit a 5-year Anaconda amortization with which you are familiar.

The Ambassador said he considered the proposal eminently fair and just and would strongly recommend it to his Government for immediate acceptance. I asked the Ambassador for a prompt reply.

I am telegraphing you this information in order that you will be aware of what has been done here. However, I feel that until the Chileans have had an opportunity to act on this proposal it would be better that you not initiate any discussions on the subject, but if the Chileans initiate them it would be appreciated if you would point out the desirability of their agreeing speedily. I would appreciate your telegraphing me if there comes to your attention any information which I should have. [Welles.]

HULL

811.20 Defense (M) Chile/56

*Memorandum by the Adviser on Political Relations (Duggan)*⁸⁵

[WASHINGTON,] December 8, 1941.

It seems to me that this argument with Chile about copper has gone on long enough. At this particular stage I don't think that we should permit our general relations with Chile to be jeopardized because of a shortsighted attitude on the part of the Defense Supplies Corporation. I think the Department should step in and cut the Gordian knot. May I have your reaction.

LAURENCE DUGGAN

⁸⁵ Addressed to Paul Daniels, Assistant Chief of the Division of the American Republics, and to Emilio G. Collado, Secretary of the Board of Executive Operations, both of whom concurred in Mr. Duggan's viewpoint.

811.20 Defense (M) Chile/74a: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 12, 1941—1 p. m.

571. Your 727, December 10, 9 p. m.⁸⁶ Your conclusion E: In view of the present circumstances the Department does not feel it desirable to press Chile further with respect to the division between Chile and the copper companies of the increase in the price of copper. The Metals Reserve Company has reluctantly agreed with the Department on this matter and has informed the copper companies. Therefore the Department acquiesces (as an alternative to the unacceptable copper export tax) in the proposal contained in the memorandum of the Chilean Ambassador of November 29, 1941,⁸⁷ which is that any increase in the price of copper over 10 cents a pound will be divided equally between the Chilean Treasury and the producers, provided always that the Chilean Treasury receives a minimum of $1\frac{1}{4}$ cents. Thus at the offered price of $11\frac{3}{4}$ cents the producers would receive $\frac{1}{2}$ cent of the price increase.

HULL

811.20 Defense (M) Chile/74b: Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 24, 1941—6 p. m.

623. Department's 571, December 12, 1 p. m. The Department and the Metals Reserve Company are very anxious that a conclusion be reached in the outstanding matters with Chile—the increased price and production of copper, the copper tax matter, and the overall purchase agreement. In connection with the latter, the Metals Reserve Company has asked the Department to state that recent events will not make any change in the plans of the Metals Reserve Company to proceed with the consummation of the proposed agreement. On the contrary, the Metals Reserve Company proposes (provided that the question of the copper tax is satisfactorily settled) to go through with the proposed overall agreement along the lines and in the spirit discussed to date. Please impress upon the Chilean authorities the necessity for speedy action in these matters, and report fully to the Department.

HULL

⁸⁶ *Ante*, p. 560.

⁸⁷ Not printed.

811.20 Defense (M) Chile/61: Telegram

The Ambassador in Chile (Bowers) to the Secretary of State

SANTIAGO, December 30, 1941—5 p. m.

[Received 11:25 p. m.]

851. The signature of the overall purchase agreement is merely awaiting approval by Chilean Congress of copper tax proposal which the Minister of Finance hopes may be forthcoming within the next few days. The Chilean authorities are very anxious to close the agreement as soon as possible.⁸⁸

BOWERS

NEGOTIATIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND CHILE⁸⁹

611.2531/680

Memorandum by the Chief of the Division of Commercial Treaties and Agreements (Hawkins) to the Secretary of State

[WASHINGTON,] July 1, 1941.

We have had under consideration the renewal of trade-agreement negotiations with Chile. Recommendations have been made by the trade-agreements organization, and these have been approved by both Assistant Secretary Acheson and the Under Secretary. It is now desired to place the matter before you.

You will recall that following announcement of intention to negotiate with Chile, in October 1939,⁹⁰ a decision was reached in December of that year to remove copper from the scope of the negotiations,⁹¹ which have since been inactive. The new proposals which we desire to present to the Chilean Government would involve the reinclusion of copper in the negotiations. It is felt that this could best be handled through the issuance of an entirely new notice of intention to negotiate with Chile, thus avoiding any possibility of charges of bad faith by domestic copper interests in view of the withdrawal of copper from the scope of the earlier negotiations. It is our feeling that the present is an excellent time to offer a concession on copper to the Chilean Government: the copper situation has entirely changed since 1939; domestic production, as you know, is entirely inadequate for both defense and civilian purposes; anything we can do to help stimulate

⁸⁸ The agreement was completed by an exchange of notes on January 26, 1942.

⁸⁹ Continued from *Foreign Relations*, 1940, vol. v, pp. 670-681.

⁹⁰ October 2, 1939; for statement by the Secretary of State, see Department of State *Bulletin*, October 7, 1939, p. 346.

⁹¹ See press release of December 21, *ibid.*, December 23, 1939, p. 733.

production in Latin America will be of benefit in the defense program; in short, an opportunity is now presented to reduce the tax on copper with the greatest economic benefit and the least political danger.

The other products on which we might be able to offer concessions to Chile cover all the items previously considered, and in the case of several of these the trade-agreements organization has recommended some improvements in the earlier offers.

The general provisions of the proposed agreement would follow closely the proposals which have been made to Argentina.

There is attached a draft letter to the President ⁹² for your signature, if you approve, on the question of renewing negotiations with Chile, in case you believe it necessary to bring the question to his attention.⁹³

HARRY C. HAWKINS

611.2531/681

Memorandum by the Secretary of State to the Chief of the Division of Commercial Treaties and Agreements (Hawkins)

[WASHINGTON,] July 3, 1941.

I think that, in view of past political experience with copper tariff in proposed Chilean trade agreement, including the voluntary withdrawal of the copper item by the Trade Agreements Section under political pressure and presumably because of the lack of sufficient merit to further retain the copper item in the list of proposed or possible concessions, the chief points in connection with the former action of the State Department and in setting forth a new basis for the inclusion of copper in a proposed trade agreement should be placed before the President with the request that he pass particularly on the political phase of the matter. He will probably want to call in Jesse Jones ⁹⁴ and other groups in the Government dealing with some phase of the copper situation.

Both you and the President may find it more practical to feel out the situation among copper mine owners with a view to seeing how much help they would give.

I do not think any of the foregoing would compromise our pledges to such Senators as Carl Hayden,⁹⁵ who boldly supported our trade program and who was among the first Senators to receive information that we had withdrawn the copper item.

⁹² Draft not attached to file copy; for letter sent to President Roosevelt, July 18, see p. 598.

⁹³ This paper carries the notation: "Approved. S[umner] W[elles]."

⁹⁴ Secretary of Commerce and Federal Loan Administrator.

⁹⁵ Senator from Arizona.

I would naturally be exceedingly glad to see some copper tariff revision. It will require tactful and forceful handling to succeed. Hence the importance of the President's being actively behind the movement, rather than merely going along with it.

C[ORDELL] H[ULL]

611.2531/684

*The Acting Secretary of State to President Roosevelt*⁹⁶

WASHINGTON, July 18, 1941.

MY DEAR MR. PRESIDENT: In connection with our program of promoting the closest possible economic relations with the other American republics, we are proposing, if you approve, to renew trade-agreement negotiations with Chile.

Copper is one of the principal products on which we might grant a concession to Chile. You will recall that in October 1939 a public notice was issued of intention to negotiate a trade agreement with Chile, followed by an announcement in December of that year withdrawing copper from the negotiations; and that this announcement was decided upon as a result of vigorous protests from the smaller domestic producers and their representatives in Congress. The negotiations with Chile have since been inactive.

The copper situation today differs radically from that existing a year or more ago. Defense and normal civilian needs now far exceed domestic production, and we are importing as much as possible from Chile and other American countries. I understand also that it is proposed to subsidize production in high-cost domestic mines. However, even under present conditions, it may be anticipated that there would be political opposition to a reduction in the copper tax.

The Secretary believes that you will probably wish to pass particularly on the political aspects of a new public notice of intention to negotiate a trade agreement with Chile involving the possibility of a reduction in the copper tax. He suggests also that you may wish to consult with the Federal Loan Administrator and others who are familiar with various aspects of the present copper situation. As the matter is one that the Secretary feels will require tactful and forceful handling, he wishes to be assured of your active support of any action which may be taken.

Faithfully yours,

SUMNER WELLES

⁹⁶ The original was returned to the Department with the notation: "S. W. OK but talk with J. Jones. FDR."

611.2531/681

The Assistant Secretary of State (Acheson) to the Secretary of Commerce (Jones)

WASHINGTON, August 1, 1941.

MY DEAR MR. SECRETARY: There is enclosed a copy of a letter of July 18, 1941 to the President from the Acting Secretary⁹⁷ regarding renewal of trade-agreement negotiations with Chile, involving the possibility of a reduction in the import tax on copper. In approving the proposed action, the President requested, pursuant to the Secretary's suggestion, that you be consulted.

You are of course familiar with the history of the copper tax, which was never justifiable, and the manner in which it was enacted in 1932. As shown by the developments in 1939 referred to in the enclosed letter, it would normally be very difficult to reduce the copper tax. However, the present situation offers a more favorable opportunity to do so than is ever likely to exist again. In this connection, the Secretary has expressed himself in favor of revision of the tax.

The benefits to our general economy from a lower copper tariff are long-range rather than immediate, as we must look in the future to Latin America as an increasingly important source of copper at a reasonable price. An immediate effect, however, would be to save that portion of the funds of the Federal Loan Agency which now must be turned over to the Treasury in the form of the tax on the large volume of copper being imported by the Metals Reserve Company. A reduction in the tax in the near future would also be a factor in negotiating a trade agreement with Chile and thus in furthering the important object of hemisphere solidarity.

If, before expressing your views on this subject, you would like to discuss it further, I shall of course be glad to do so at your convenience.

Sincerely yours,

DEAN ACHESON

611.2531/688

The Secretary of Commerce (Jones) to the Assistant Secretary of State (Acheson)

WASHINGTON, August 11, 1941.

DEAR DEAN: YOUR letter of the 1st, file TA 611.2531/681, has had consideration.

⁹⁷ *Supra.*

The matter of an excise tax on copper from Chile or the amount of such excise tax is one for the President and the Secretary to determine. There probably should be some excise tax, although 4 cents appears quite high.

I shall be glad to discuss the matter further if you wish.

Sincerely yours,

JESSE H. JONES

710. F.E.A.C./217a : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, August 12, 1941—7 p. m.

261. Pursuant to Resolution LXXX, Commercial Advantages Between Neighbor States, of the Seventh Conference of American States,⁹⁸ the following contractual formula for tariff preferences to contiguous countries was submitted on July 31 to the Inter-American Financial and Economic Advisory Committee jointly by the representatives of the Governments of Argentina and Brazil:

"The Inter-American Financial and Economic Advisory Committee, having considered the terms of a contractual formula pursuant to the above-quoted Resolution, recommends that any such tariff preferences, in order to be an instrument for sound promotion of trade, should be made effective through trade agreements embodying tariff reductions or exemptions; that the parties to such agreements should reserve the right to reduce or eliminate the customs duties on like imports from other countries; and that any such regional tariff preferences should not be permitted to stand in the way of any broad program of economic reconstruction involving the reduction of tariffs and the scaling down or elimination of tariff and other trade preferences with a view to the fullest possible development of international trade on a multilateral unconditional most-favored-nation basis."

This proposal was referred to subcommittee II for consideration. The subcommittee subsequently approved the formula but the Chilean representative refrained from voting. When the subcommittee's recommendation was submitted to the full committee on August 7 the Chilean Ambassador stated that his Government was satisfied with Resolution LXXX and objected to the penultimate point in the proposed formula (reservation of right to reduce duties on like imports from third countries) and considered the last point rather vague.

After extended discussions, this formula was accepted with great reluctance by this Government as a part of the basis for again un-

⁹⁸ *Report of the Delegates of the United States of America to the Seventh International Conference of American States, Montevideo, December 3-26, 1933* (Washington, 1934), p. 275. For correspondence concerning this Conference, see *Foreign Relations, 1933*, vol. iv, pp. 1 ff.

dertaking negotiation of a trade agreement with Argentina,⁹⁹ and represents the limit to which we feel we can go in excepting from the principle of non-discriminatory treatment underlying this Government's commercial policy tariff preferences to contiguous countries. Further background information in this regard may be obtained by telephone from the Embassy at Buenos Aires.

The Chilean representatives here seem to feel that the penultimate point conflicts with the Chilean Government's present policy of exclusive preferences to contiguous countries. It has been pointed out to them by representatives of Argentina, Brazil, and this Government that the mere reservation of such a right by Chile and contiguous countries would not necessarily mean that it would be invoked; Chile might in certain circumstances consider it advantageous, after consultation with the contiguous country concerned, to invoke the reservation; if a country contiguous to Chile wished to invoke it, Chile might have no objection to the reduction in duty to a third country or countries; if Chile should have an objection, the other country might abandon its proposal, or a mutually satisfactory adjustment might be worked out, because of its desire to maintain good trade relations with Chile; such an adjustment might possibly involve the third country concerned.

Furthermore, the above quoted contractual formula represents the full extent to which this Government feels it could go, in connection with a trade agreement with Chile, in meeting the Chilean request for a blanket exception in favor of contiguous countries. In this connection, active study is now being given to the possibility of renewing trade-agreement negotiations with Chile on as broad a basis as possible.

You are requested to discuss this matter immediately with the appropriate Chilean officials with a view to removing any objections they may have to the formula in order that when this matter comes before the Inter-American committee for action on August 14 the Chilean representatives will support the proposal. Action on that date is desired in order to have this question settled prior to and in order to facilitate the early conclusion of our trade agreement with Argentina.

You may also have an occasion to point out that thus far the recommendations of the committee have been adopted unanimously.

HULL

⁹⁹ See exchange of notes regarding preferences to contiguous countries accompanying the reciprocal trade agreement between the United States and Argentina, signed October 14, 1941, Department of State Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685.

611.2531/685

*Memorandum of Conversation, by Mr. H. Gerald Smith of the Division
of Commercial Treaties and Agreements*

[WASHINGTON,] August 28, 1941.

Participants: Señor Rodolfo Michels, Chilean Ambassador

Mr. Hawkins

Mr. Fowler ¹

Mr. Smith

The Ambassador called by request and was handed a memorandum ² embodying proposals by this Government looking toward the renewal of trade-agreement negotiations with Chile.

Mr. Hawkins outlined the principal points included in the new proposals and reviewed the situation preceding the time in 1940 when the negotiations became inactive. It was pointed out to the Ambassador that changed conditions now made it possible for this Government to indicate to the Chilean Government the possibility of improving the offers which had previously been made on Chilean products imported into the United States. These included the possibility of a concession on copper, which had been withdrawn from the earlier negotiations, and on certain other commodities on which it had not previously been found possible to offer any concessions. Mr. Hawkins also commented on two of the principal points in the general provisions on which no agreement had been reached in the earlier negotiations: the article on exchange control and the question of customs preferences by Chile to contiguous countries. With respect to the exchange control article, Mr. Hawkins pointed out that we were withdrawing our previous proposal which called for making exchange available without delay for all permitted imports into Chile from the United States and were proposing in its place an article which would provide merely for most-favored-nation treatment. With respect to the question of preferences by Chile to contiguous countries, particular emphasis was placed by Mr. Hawkins on the fact that, as the Ambassador was probably aware, the Secretary of State had always vigorously supported the principle of unconditional most-favored-nation treatment. As a result, however, of our recognition of the fact that we had supported Resolution LXXX at the Montevideo conference in 1933 on Commercial Advantages between Neighboring States, we had in connection with our trade-agreement discussions with Argentina somewhat receded from our original position to the extent of agreeing to a contractual formula under which we would not claim most-favored-nation treatment in the

¹ William A. Fowler, Assistant Chief of the Division of Commercial Treaties and Agreements.

² Not printed.

case of preferences granted under certain conditions in trade between contiguous countries. It was recalled to the Ambassador that this was the formula which had been presented by Argentina and Brazil to the Inter-American Economic and Financial Advisory Committee and which was now under consideration by that group.

The Ambassador was requested to treat the new proposals as strictly confidential in advance of any public announcement by this Government of trade-agreement negotiations which might result from reopening discussions with Chile. The Ambassador stated that he would study the proposals and call Mr. Hawkins in a few days with a view to bringing in the Commercial Counselor of the Embassy for a more detailed discussion of the matter.

611.2531/637a

Memorandum Handed to the Chilean Ambassador (Michels) by the Chief of the Division of Commercial Treaties and Agreements (Hawkins), August 28, 1941

In the discussions with Chilean officials following the announcement on October 2, 1939, of intention to negotiate a trade agreement, it developed that the Government of Chile desired to except from the operation of the unconditional most-favored-nation clause tariff preferences to contiguous countries. Representatives of the United States Government pointed out that no such exception was contained in the existing *modus vivendi* with Chile, and explained how extremely difficult it would be for the United States, in view of its long-established commercial policy, to agree to such an exception.

Subsequently this same question arose in connection with the exploratory discussions with officials of the Argentine Government. The attention of the Government of the United States was drawn to Resolution LXXX of the Seventh International Conference of American States at Montevideo, approved December 24, 1933. After careful study, in the light of that resolution, the Government of the United States agreed, as part of the basis for the public notice of May 13, 1941 of intention to negotiate a trade agreement with Argentina,³ to an exchange of notes providing that if, pursuant to the resolution, the Inter-American Financial and Economic Advisory Committee should recommend a contractual formula for preferences to contiguous countries identical with the one submitted to that Committee on July 31, 1941 jointly by the representatives of the Governments of Argentina and Brazil, the Government of the United States

³ For correspondence concerning a reciprocal trade agreement with Argentina, see pp. 387 ff.

would not invoke the provisions of Article I (most-favored-nation treatment) of the proposed trade agreement between the United States and Argentina for the purpose of obtaining the benefit of tariff preferences conforming to the contractual formula which Argentina might accord to a contiguous country, it being understood, of course, that if any such preference should be extended by Argentina to any noncontiguous country it would be extended immediately and unconditionally to the United States. However, this agreement on the part of the United States was conditioned upon the inclusion in a Final Minute of the negotiations assurances by the Argentine Government that, prior to according any such preference, with respect to any product of interest to the United States, it would in practice afford the Government of the United States adequate opportunity for consultation through the medium of a mixed commission to be established under the provisions of the proposed trade agreement.

Similar provisions are included in the new proposals relative to a trade agreement which are now submitted by the Government of the United States to the Government of Chile.

The contractual formula now under consideration by the Inter-American Committee, and the collateral understandings in regard thereto mentioned above and described fully in the *aide-mémoire* containing the new trade-agreement proposals to the Government of Chile,⁴ represent the full extent to which the Government of the United States feels that it can go, in view of its established commercial policy, toward meeting the request of the Government of Chile for an exception in favor of tariff preferences to contiguous countries.

[WASHINGTON,] August 28, 1941.

710. F.E.A.C./217a : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, September 15, 1941—8 p. m.

319. Department's 261, August 12, 7 p. m. The formula mentioned has not yet been approved by the Inter-American Committee, as the Chilean representative is not yet prepared to withdraw his objection.

The possibility exists, particularly in view of the fact that on August 28 we handed new trade agreement proposals embodying the formula

⁴Not printed; the *aide-mémoire* gave in detail the proposals of the Department for the renewal of trade agreement negotiations with Chile (611.2531/-687b).

to the Chilean Ambassador (instruction no. 691 of September 11),⁵ that the Chilean Government may believe that by abstaining from voting on the formula in the Committee, Chile will be placed in a special and more favorable position, vis-à-vis this Government, than Argentina, Brazil and other countries supporting the resolution, when the question of preferences to contiguous countries arises in trade-agreement discussions with the United States.

You are requested to discuss again with the appropriate officials the substance of the Department's 261, and if you have reason to believe the Chilean Government is adopting an attitude such as that suggested above, you should emphasize that the formula represents the full extent to which this Government believes it can go, and that unless the Chilean Government's representative on the Committee is authorized to refrain from objecting to the formula when it comes up for action before the Committee, it would naturally make it extremely difficult, and perhaps impossible, to work out a basis for the resumption of trade-agreement negotiations with this Government. It is hoped that instructions for a favorable vote on the formula will be sent to the Chilean representative before the next Committee meeting on September 18.⁶

HULL

611.2531/690a : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, November 19, 1941—4 p. m.

469. Reference Department's instruction 691, September 11, 1941.⁷ Please report status of trade agreement proposals submitted to Chilean Ambassador late in August and covered by instruction under reference.

For your information, the failure of the Chileans to reply to our proposals is causing us some concern. Further delay may jeopardize the whole project.

HULL

611.2531/690b : Telegram

The Secretary of State to the Ambassador in Chile (Bowers)

WASHINGTON, December 24, 1941—midnight.

630. Reference Department's telegram 469, November 19. Please ascertain and report to the Department as soon as possible the Chilean reaction to our trade agreement proposals.

⁵ Not printed; this instruction transmitted to the Ambassador in Chile copies of the documents handed to the Chilean Ambassador on August 28.

⁶ No record found in Department files of meeting on September 18 or of action on this formula at later meetings of the Committee in 1941.

⁷ Not printed.

For your own information, it is hoped to issue on December 29 public notice of intention to negotiate with Peru⁸ and for various reasons it would be desirable to negotiate concurrently with Chile.⁹

HULL

⁸ For text of notice issued December 29, 1941, see Department of State *Bulletin*, January 3, 1942, p. 22.

⁹ On January 14, 1942, the Ambassador in Chile reported that the Foreign Office had expressed satisfaction at the renewal of discussions, but would suggest changes (611.2531/691). The Department then left the initiative to Chile, which suspended negotiations for many months.

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¹ In indexing persons the intention has been to include all references to persons of significance for an understanding of the record, with the following exceptions: (1) The name of the Secretary of State or the Acting Secretary of State appearing as the signer of outgoing instructions unless there is a clear indication of the Secretary's or Acting Secretary's personal interest; (2) the name of an American officer in charge of a mission appearing as the signer of reports to the Department of State, except for personal items; (3) the names of persons to whom documents are addressed.

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