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Foreign
Relations
of the
United
States



1945

Volume IX

THE AMERICAN
REPUBLICS

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Department of State
Washington

Philip E. Morse

Foreign Relations
of the
United States
Diplomatic Papers
1945

Volume IX
The American Republics



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PREFACE

Dr. E. Ralph Perkins, former Chief of the Foreign Relations Division, directly supervised the preparation of this volume. He was assisted by the present Chief of the Division, S. Everett Gleason, by Fredrick Aandahl, and by former staff member, Almon R. Wright.

The compilers of the volume were David H. Stauffer and Mr. Wright. Mr. Stauffer was primarily responsible for documenting American policy toward Mexico, the republics of Central America, and the Caribbean area. Mr. Wright's work encompassed the relations of the United States with the nations of South America and with Panama. Documentation on the regional policies of the United States toward the other American republics was the joint effort of Messrs. Wright and Stauffer.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of the volume.

WILLIAM M. FRANKLIN
*Director, Historical Office,
Bureau of Public Affairs*

DECEMBER 31, 1968

PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the current regulation is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States, Diplomatic Papers*, constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials

concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States, Diplomatic Papers*, shall be edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record shall be guided by the principles of historical objectivity. There shall be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing shall be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States, Diplomatic Papers*, the Historical Office shall:

- a. Refer to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refer to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

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THE INTER-AMERICAN CONFERENCE ON PROBLEMS OF
WAR AND PEACE, HELD AT MEXICO CITY, FEBRUARY
21-MARCH 8, 1945 (THE CHAPULTEPEC CONFERENCE)

[BIBLIOGRAPHICAL NOTE: Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945); Department of State, Publication No. 2497, Conference Series No. 85, *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, Mexico, February 21-March 8, 1945* (Washington, 1946); Pan American Union, Congress and Conference Series No. 47, Inter-American Conference on Problems of War and Peace, Mexico City, February 21-March 8, 1945, *Report Submitted to the Governing Board of the Pan American Union by the Director-General* (Washington, 1945); Pan American Union, Inter-American Conference on Problems of War and Peace, Mexico City, February 1945, *Handbook for the Use of Delegates* (Washington, 1945); Conferencia interamericana sobre problemas de la guerra y de la paz, *Guía oficial* (Mexico, 1945); *Diario de la conferencia interamericana sobre problemas de la guerra y de la paz, 21 de Febrero-9 Marzo de 1945* (Mexico, 1945); Conferencia interamericana sobre problemas de la guerra y de la paz, *Temario, programa y discursos* (Mexico, 1945); República Oriental del Uruguay, Ministerio de Relaciones Exteriores, *Conferencia interamericana sobre problemas de la guerra y de la paz, México—Chapultepec, 21 de Febrero-8 de Marzo de 1945* (Montevideo, 1946); Ministerio de relaciones exteriores del Ecuador, *La cancillería ecuatoriana y la conferencia interamericana de México sobre los problemas de la guerra y de la paz* (Quito, 1945). See also the annual *Memorias* of the Ministries of Foreign Affairs of other American Republics and the *Bulletin* of the Department of State.]

I. AGENDA¹

710 Conference W And PW/1-545: Circular telegram

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

WASHINGTON, January 5, 1945—3 p. m.

The Department refers to its circular telegram of December 22.²
You are requested to address a memorandum in the following general

¹ For documentation on preliminary discussions, see *Foreign Relations*, 1944, vol. VII, pp. 27 ff.

² Not printed.

terms to the Foreign Minister of the country to which you are accredited. You are authorized to make such alterations in the text as may appear advisable in the light of any communications exchanged between you and the Foreign Minister, particularly with regard to references.

"In connection with the consultations which have been taking place with regard to a possible conference of American republics which are participating in the war effort, the Government of the United States has completed a preliminary study of the question of a suggested agenda.

The Government of the United States feels that the urgent problems confronting the American republics at the present stage of the war fall into three major groups, each involving the adjustment and extension of the cooperative relationship and activities of the American republics.

The Government of the United States accordingly proposes the following agenda for such a conference:

- I. Further Cooperative Measures for the Prosecution of the War to Complete Victory.
- II. Consideration of Problems of International Organization for Peace and Security.
 - A. World Organization.
 - B. The Further Development of the Inter-American System, and its Relation to World Organization.
- III. Consideration of the Economic and Social Problems of the Americas.
 - A. War and Transitional Economic Cooperation.
 - B. Consideration of Methods of Further Cooperation for the Improvement of Economic and Social Conditions of the Peoples of the Americas with the End of Raising Their General Standard of Living.
- IV. Other Matters of General and Immediate Concern to the Participating Governments.

In drawing up this possible agenda, the Government of the United States has sought to make it sufficiently broad to cover with desirable brevity all topics which might appropriately be discussed at the conference.

The Government of the United States believes that an exchange of views between the American republics regarding the topics to be considered at the conference will advance the preparation of the final agenda when the site of the conference has been agreed upon."

In presenting this note you should make it clear that the proposed agenda was drawn up on the basis of suggestions received from the various other American Republics. In this connection you are authorized in your discretion to indicate how any views expressed by the government of the country to which you are accredited with regard to the agenda would fit into the proposed agenda.

You are authorized, particularly in the event that the Foreign Minister raises the question, to inform him orally that the fourth gen-

eral point in the proposed agenda is intended to cover an informal discussion of the Argentine request for the convocation of a meeting of foreign ministers ³ as well as such other general topics as may properly be brought before the conference.

Repeated to Buenos Aires for information only.

STETTINIUS

710 Conference W and PW/1-1045

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

[Translation]

MEXICO CITY, January 10, 1945.

0208. The recent consultation between the Governments of the American republics which form part of the group of the united and associated nations has made clear the desires of each of them to consider jointly, through their respective delegates the method of intensifying the collaboration as well as the part to be played by America in the future world organization and the impulse which should be given to the inter-American system as well as to the economic solidarity of the continent. In view of the above and taking into account, also, the agreement of those governments which were consulted that this act shall take place in Mexico—a matter which my Government accepts with positive pleasure—the President of the Republic, General of Division Manuel Avila Camacho, has instructed me to extend through Your Excellency his invitation to His Excellency Franklin D. Roosevelt, the President of the United States of America, to name representatives to meet in a conference which might be held in this capital beginning February 15, next. Confident that this invitation shall find a welcome in the mind of the Government of the United States of America, permit me respectfully to suggest to Your Excellency that you examine the possibility of presiding over the delegation of the United States of America since a contact between those encharged with the conduct of the international policy of the countries of America would be an advance guarantee of the success of the work of the conference and would contribute to the strengthening of the unity of our hemisphere to the benefit of the world. I shall appreciate Your Excellency's advising me as soon as you may find it opportune regarding the following bases for discussion that would be followed by the conference which I would take the liberty of suggesting be known in advance as "Inter-American Conference on Problems of the War and

³ Request addressed to the Chairman of the Governing Board of the Pan American Union on October 27, 1944; for text see *Foreign Relations*, 1944, vol. VII, p. 31.

of the Peace": First, complementary measures for intensifying cooperation in the war effort until complete victory; second, examination of problems relative to the international organization for the maintenance of peace and collective security A) world organization B) development of the present inter-American system and its coordination with the world organization; thirdly, consideration of the economic or social problems of America A) economic cooperation during the war and the transitional post-war period B), consideration of method for the carrying out of this cooperation to the benefit of the economic and social conditions of the people of America for the fundamental purpose of raising their standard of living; fourthly, in compliance with the desires of those Governments which were consulted and upon completion of discussion of the above subjects, would be considered the resolution adopted by the Governing Board of the Pan American Union in its session of Monday, January 8,⁴ regarding the request of the Argentine Government. In further informing Your Excellency that I shall transit to you through the Mexican Embassy in Washington the project for the regulations of the conference, I take pleasure in renewing the assurances of my highest and most distinguished consideration.

EZEQUIEL PADILLA

710 Conference W And PW/1-1145: Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina and Mexico

WASHINGTON, January 11, 1945—7 p. m.

You are requested to call at the earliest possible opportunity on the Foreign Minister of the country to which you are accredited and to obtain from him any views which he may wish to express with regard to the tentative agenda, outlined in the Department's circular telegram of January 5. You should forward your answer to this telegram not later than January 13. In speaking to the Foreign Minister you should make it clear that this Government does not intend to prepare the formal agenda, nor to correlate suggestions and amplify the tentative agenda already transmitted. It is believed that this task must be undertaken by the host government, in consultation with the other American republics. The Department merely wishes to be informed regarding the views of the other American republics in regard to the agenda of the conference.

You may also inform the Foreign Minister, in strictest confidence, that the United States will be represented at the conference by one

⁴ Quoted in Department of State, *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, Mexico, February 21-March 8, 1945* (Washington, 1946) p. 37.

delegate, Secretary of State Stettinius, and by one alternate delegate, Assistant Secretary Rockefeller. They will, however, be assisted by a carefully selected delegation of widely representative advisers and technical experts.

GREW

710 Conference W And PW/1-1245: Telegram

The Chargé in Costa Rica (Washington) to the Secretary of State

SAN JOSE, January 12, 1945—1 p. m.

[Received 5:15 p. m.]

34. Reference Department's circular January 11, 7 p.m. Costa Rican Foreign Minister⁵ has informed me that he is in complete accord with the agenda outlined in Department's circular of January 5.

WASHINGTON

710 Conference W and PW/1-1245: Telegram

The Chargé in Nicaragua (Finley) to the Secretary of State

MANAGUA, January 12, 1945—3 p. m.

[Received 9:05 p. m.]

19. Department's circular telegram January 11, 7 p. m. Nicaraguan Government agrees to suggested agenda and has no suggestions to offer. Invitation has now been received from Mexican Government quoting almost verbatim agenda points mentioned in Department's airgram of January 5 but enlarging upon point 4 to include consideration of desirability of discussing the Argentine question.

Dr. Marianno Arguello A., the Foreign Minister, expects to represent Nicaragua at Mexico City.

Repeated to Mexico City.

FINLEY

710 Conference W And PW/1-1245: Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, January 12, 1945—5 p. m.

[Received 7:30 p. m.]

42. When conveying message contained in Department's circular telegram January 11, 7 p. m., this morning Foreign Office informed that agenda mentioned in Mexican invitation to conference received here corresponded exactly with that in Department's circular January 5, 3 p. m.

⁵ Julio Acosta García.

Secretary General ⁶ has now telephoned that his Government approves this agenda without additional suggestions.

WHITE

710 Conference W And PW/1-1245 : Telegram

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

TEGUCIGALPA, January 12, 1945—6 p. m.

[Received 10:30 p. m.]

12. Department's circular of January 11, 7 p. m. The Honduran Government has accepted the Mexican invitation to the conference. Honduras is in substantial agreement with the agenda as suggested by Padilla but changes item IV to include "other affairs of general and immediate interest to the participating governments" and adds a fifth item suggesting consideration of the resolution adopted on January 8 by the Governing Board of the Pan American Union relative to the request of the Argentine Government.

Copies of the Padilla invitation and the Honduran reply are being transmitted tomorrow by air mail despatch.

ERWIN

710 Conference W And PW/1-1245 : Telegram

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

HABANA, January 12, 1945—6 p. m.

[Received 9:13 p. m.]

22. Minister of State today showed me telegram from Padilla inviting Cuban participation in forthcoming conference and emphasizing desire for Minister of State ⁷ himself to attend. The latter is willing to do so but believes, correctly I feel, that Grau ⁸ will choose Belt.⁹

The Minister of State's observations on our tentative agenda (with which Mexican agenda is identical in every particular excepting final reference to discussion of Argentine problem) are: (1) he would prefer not to have conference convene until middle of March; (2) he finds agenda too indefinite but realizes this may be better for this type of conference.

BRADEN

⁶ Javier Correa, Secretary General of the Peruvian Foreign Office.

⁷ Alberto Inocente Alvarez.

⁸ Ramón Grau San Martín, President of Cuba.

⁹ Guillermo Belt, Cuban Ambassador in the United States.

710 Conference W And PW/1-1345 : Telegram

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

WASHINGTON, January 13, 1945.

I have received the kind message which you have been good enough to transmit to the Secretary of State inviting the President to name representatives to an inter-American conference regarding problems of the war and the peace, to be held in Mexico City starting February 15.

The consultations which have been proceeding between the American republics collaborating in the war effort have revealed an urgent need for them to hold a conference in order to reach a common basis on which to hasten victory, build an enduring peace, and promote stable and prosperous economic conditions in the transition from war to peace. It is no less important that the American republics consider broad cooperative measures to raise standards of living. The initiative of Your Excellency's Government is therefore most opportune and will, I am confident, be welcomed by the American peoples. I am particularly gratified to note the topics which you suggest for discussion, in as much as they coincide with this Government's views in this regard.

In thanking Your Excellency for your kind invitation I am authorized by the President to say that this Government will accept it with the greatest pleasure and that he has named Edward R. Stettinius, Jr., Secretary of State, to be United States Delegate to the conference. Assistant Secretary of State, Nelson A. Rockefeller, will be Alternate Delegate.

I have the honor [etc.]

JOSEPH C. GREW

710 Conference W And PW/1-1345 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, January 13, 1945—1 p. m.

[Received 5 : 33 p. m.]

60. My 57, January 12.¹⁰ Chacón ¹¹ informed me this morning that after consultation with the President ¹² he could state formally that Bolivia is in general accord with the agenda presented in your circular of January 5. Should the Bolivian Government eventually desire to submit any specific topic for inclusion in the agenda the Embassy will

¹⁰ Not printed.

¹¹ Gustavo Chacón, Minister for Foreign Affairs.

¹² Maj. Gualberto Villarroel.

be duly informed. A telegram confirming the foregoing will be dispatched today to Andrade.¹³

The Minister further stated that he will, of course, head the Bolivian delegation which will also include former Minister to Mexico Alfredo Sanjines and a group of advisers. Ambassador Montenegro¹⁴ probably also will be attached to the Bolivian delegation. Chacon said further that in replying to the Mexican invitation he is suggesting that the conference begin February 20.

THURSTON

710 Conference W And PW/1-1745: Telegram

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

WASHINGTON, January 17, 1945—7 p. m.

97. With regard to Padilla's invitation to the conference, you are requested, unless you perceive serious objection, to take up with him the possibility of returning to the original wording for the fourth item of the agenda, i.e., "other problems of immediate concern to the participating governments". This Government of course envisages under this item of the proposed agenda the discussion mentioned by Señor Padilla of the resolution adopted by the Governing Board of the Pan American Union on January 8 and, indeed, of the entire Argentine problem;¹⁵ but it does not feel that it is advisable strongly to confirm, by devoting an entire item on the agenda to the Argentine question, the public impression that the American republics are giving special importance to it at the conference. There may, moreover, be other points of immediate concern which other republics may wish to raise and which could not properly be included under any other point in the agenda.

STETTINIUS

710 Conference W and PW/1-1745

The Honduran Ambassador (Cáceres) to the Secretary of State

[Translation]

The Ambassador of Honduras presents his compliments to His Excellency the Secretary of State and has the honor to thank him for his courtesy in having sent him a copy of the memorandum containing the proposals¹⁶ made by His Excellency's Government in connection

¹³ Victor Andrade, Bolivian Ambassador in the United States.

¹⁴ Carlos Montenegro, Bolivian Ambassador in Mexico.

¹⁵ For documentation on the problems attendant upon the recognition of the Farrell regime, see pp. 366 ff.

¹⁶ See circular telegram, January 5, 3 p. m., p. 1.

with the forthcoming special conference of the Governments of the American Republics.

The Ambassador of Honduras advises at this time that his Government accepts the invitation of the Government of Mexico to the aforementioned conference which will open on the 15th of next February, and that it has designated Dr. Julián R. Cáceres as Chairman of the delegation; Engineer Gregorio Reyes Zelaya as Delegate; and Mr. Juan Angel Paz as Secretary.

J. R. C[ÁCERES]

WASHINGTON, January 17, 1945.

710 Conference W and PW/1-1845

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

No. 22,570

MEXICO, D.F., January 18, 1945.

[Received January 24.]

SIR: I have the honor to refer to the Department's strictly confidential telegram No. 97 of January 17, 7 p. m., requesting me, unless I see serious objection, to discuss with Dr. Padilla, the Minister of Foreign Relations of Mexico, the last item of the agenda as proposed in the invitation which Mexico sent to the American states collaborating in the war effort for the Mexico City meeting. I also have to refer to the conversation which I had with Mr. Dudley Bonsal¹⁷ in the Department this morning during which conversation I gave the reasons why I thought it undesirable to raise this question with the Minister and indicated that I would not do so unless further instructed by the Department.

I transmit herewith a memorandum (enclosure No. 1)¹⁸ which covers my conversation with Mr. Bonsal this morning and in which I indicate the reasons why it would be undesirable for our Government to take up this matter with Dr. Padilla. As I indicate in this memorandum, the circumstances are such that even if our Government and the Mexican Government desired to make this change in the final item of the agenda, as proposed by Dr. Padilla, it would raise difficulties in connection with the holding of the meeting and a considerable number of the American states intending to participate in the meeting would oppose such change. I believe that the Department on consideration of the statements set forth in my conversation with Mr. Bonsal this morning and in the appended memorandum will be in agreement that it would not be advisable to raise this question.

¹⁷ Dudley B. Bonsal, Special Assistant to the Assistant Secretary of State for American Republic Affairs.

¹⁸ Not printed.

[Here follows a discussion on changing the date for the opening of the conference from February 15 to February 21 to enable the Secretary of State to attend.]

Respectfully yours,

MESSERSMITH

710 Conference (W & PW)

Suggested Agenda Approved by President Roosevelt¹⁹ for the Conference of American Republics Collaborating in the War Effort

[WASHINGTON, January 18, 1945.]

- I. Further Cooperative Measures for the Prosecution of the War to Complete Victory.
- II. Consideration of Problems of International Organization for Peace and Security.
 - A. World Organization.
 - 1) General Support for Dumbarton Oaks.
 - B. The Further Development of the Inter-American System, and Its Relation to World Organization.
 - 1) Atlantic Charter.²⁰
 - 2) Utilization of Inter-American System for Implementing World Organization.
 - 3) Annual Consultation of Foreign Ministers.
 - 4) Joint Guarantee of Boundaries.
 - 5) Consultation on Post-War Settlements.
- III. Consideration of the Economic and Social Problems of the Americas.
 - A. Other American Republics to Join U.S. in Reduction of Barriers to Free Flow of Trade and Commerce.
 - B. Agreement by U.S. to Assist Them in Cushioning Shock From Termination of War Purchases and in Meeting Internal Economic and Social Problems. A Joint Insurance Policy for Next Five or Ten Years.
- IV. Other Matters of General and Immediate Concern to the Participating Governments.

¹⁹ Notation on the original: "OK FDR."

²⁰ See joint statement by President Roosevelt and British Prime Minister Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.

710 Conference W and PW/1-1945

*The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina and El Salvador*²¹

WASHINGTON, January 19, 1945—midnight.

You are requested to submit a report to the Department to be received not later than February 1 regarding matters which you believe that the representatives of the government to which you are accredited may raise at the forthcoming conference in Mexico City. The Department wishes to have the most exact information possible regarding (1) matters which representatives of the other American republics may place before the conference in the form of resolutions, etc., and (2) specific requests which representatives of other American republics may make of the American Delegation, for example, loans, lend-lease, highways, health, sanitation, and educational projects, priorities, extra shipping facilities, and other requests of this nature.

STETTINIUS

710 Conference (W-PW)/1-1945

The Assistant Secretary of State (Rockefeller) to the Ambassador in Mexico (Messersmith)

WASHINGTON, January 19, 1945.

MY DEAR GEORGE: The information which you have been forwarding and telephoning to us regarding the Mexican reaction to the conference has been simply splendid and I can't tell you how much we appreciate the help it has given us in formulating our own plans. With Sanders²² going to Mexico tomorrow night I am sure that you will have a further opportunity to gather the line of our own thinking here.

As Dud Bonsal mentioned to you over the telephone this morning, we appreciate Dr. Padilla's views regarding the fourth major heading of the Agenda but we still feel that it is inadvisable specifically to include the Argentine case on the Agenda. I discussed this matter with several of the Ambassadors here—Brazilian, Chilean, Cuban, Ecuadoran, Uruguayan, Nicaraguan, and Panamanian—and it was unanimously agreed that no specific reference to the Argentine should be made. The feeling among the Ambassadors was that too much emphasis had already been placed on the Argentine angle of the conference and that to include it as a major item of the Agenda would concentrate interest on it rather than on the constructive aspects of the conference. We should, of course, be prepared to discuss the

²¹ Repeated to Argentina and El Salvador for information only.

²² William Sanders, United States Member, Emergency Advisory Committee for Political Defense.

Argentine case under the fourth item of the Agenda, to the full extent that the representatives of the other republics might so desire. I think it is clear in fact that we are more disposed to discuss this case than various other republics are. Although the resolution of the Governing Board of the Pan American Union, of course, makes some discussion inevitable, I do not see that it requires specific reference to it in the Agenda.

It might also be noted that if we make a coordinate topic of the Argentine case it would be generally interpreted that we have some ingenious formula worked out which would be expressed in a formal resolution. Under the existing circumstances we, of course, have no such formula. If we should have a weasel-worded resolution or no resolution at all under item IV in the final act everybody would say that the conference had been a failure even if we had been successful in getting through substantially every resolution we have tried to get through.

In the light of these factors I sincerely hope that you will see your way clear to discuss this matter again with Dr. Padilla and that you will be able to persuade him of the advisability of a noncommittal topic heading for the fourth point of the Agenda. I would suggest something such as "Other Urgent Matters of Both General and Immediate Concern to the Participating Governments." We naturally do not want to open the door to all sorts of extraneous resolutions but by emphasizing that any point raised must be of both general and immediate concern I hope that we will sharply restrict the field.

I am giving this letter to Mr. Sanders to take with him.

With all good wishes,

Very sincerely yours,

NELSON A. ROCKEFELLER

710 Conference W And PW/1-2045 : Telegram

The Chargé in Panama (Butler) to the Secretary of State

PANAMA, January 20, 1945—9 a. m.

[Received 10:28 a. m.]

65. Reply of Panama to Mexican invitation to Conference of American Republics associated in war effort to be held February 15 expresses agreement with first three points of Mexican proposal for agenda. As concerns point IV Panama prefers it to be made broad enough to include other measures of general and immediate interest to participating governments, with the understanding that the January 8 Resolution of the Governing Board of the Pan American Union related to the request of the Argentine Government could be considered under point IV.

BUTLER

710 Conference W And PW/1-2045: Telegram

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

BOGOTÁ, January 20, 1945—3 p. m.

[Received 6:56 p. m.]

100. Morning press publishes text of Mexican note dated January 11 inviting Colombia to attend conference at Mexico City next February 15 and Colombian reply dated January 19 accepting.

The Colombian position as set forth in this note is similar to that previously reported in the Embassy's telegram No. 66 of January 12, 8 p. m.²³ and reiterates the views expressed in the Colombian memorandum of January 8 to the Pan-American Union (redes 105 of January 10).²³ The main points are as follows:

1. The principal question before the conference is increased co-operation in the war effort by the united and associated nations. This being the principal objective of the conference, there is partial justification for the absence of American nations not linked to the war effort.

2. Before the study of postwar political and juridical problems, and the proposed international organization, there should be a basic study of the regional inter-American organization. Hemispheric solidarity would contribute to the effectiveness of the participation of the American nations in the proposed international organization, and should therefore be given preferred attention.

3. Specific proposals favored by Colombia for improving the inter-American system are those set forth in the memorandum of January 8 to the Pan American Union, and would include the following: Periodical and regularly scheduled meetings of Foreign Ministers; determination of the political and judicial functions of existing inter-American organisms and if necessary the creation of new ones; and the regulation of the recognition of new governments.

In addition Colombia hopes that Argentina will be accorded a hearing at the forthcoming conference, and that continental solidarity will be restored.

Full texts of Mexican invitation and Colombian reply are being forwarded by air mail.²⁴

WILEY

²³ Not printed.

²⁴ Transmitted in despatch 169, January 22; not printed.

710 Conference W and PW/1-2245: Telegram

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

RIO DE JANEIRO, January 22, 1945—4 p. m.
[Received 9:30 p. m.]

233. Department's circular telegram January 19, midnight. Velloso²⁵ told me today that the Brazilian delegation to the conference in Mexico City will make no proposals and that they will adhere to the suggested agenda. Velloso commented: "Our interest in the conference is to contribute to the solidarity of the American nations and to cooperate in every way possible to the successful prosecution of the war."

He said that the Brazilian delegation will make no specific requests of the American delegation and added that as shipping and other economic problems are now receiving the careful consideration of the two Governments, there will be no need to discuss these matters at the conference.

DONNELLY

710 Conference W And PW/1-2245: Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, January 22, 1945—4 p. m.
[Received 11:58 p. m.]

54. Your circular January 19, midnight. I have not encouraged Chiriani²⁶ to submit specific requests for economic aid during the conference at Mexico. Paraguay may be expected to introduce or support measures capable of continental application which would be helpful to Paraguay such as assistance in construction of Pan American Highway, additional gasoline quotas for highways newly constructed with American financial aid and assistance to immigrants. These topics were mentioned on pages 3 and 4 of my despatch 440, January 9.²⁷

If other countries are being encouraged to present specific requests at Mexico City I should like to be promptly informed so that Paraguay may have the opportunity of doing the same.

BEAULAC

²⁵ Pedro Leão Velloso, Acting Minister for Foreign Affairs.

²⁶ Horacio Chiriani, Minister for Foreign Affairs.

²⁷ Not printed.

710 Conference (W and PW)/1-2345 : Telegram

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

SANTIAGO, January 23, 1945—1 p. m.

[Received 4:10 p. m.]

102. Fernández²⁸ inquired whether point No. IV in the agenda contained in Padilla's invitation of January 11 replaces No. IV in the agenda contained in Department's circular January 5, 3 p. m.

I said that while there seemed to be no doubt that this was case, since as stated in Department's circular telegram of January 11, Department did not intend to prepare a formal agenda nor to correlate suggestions and amplify the tentative agenda already transmitted as the Department believed that this was a task which should be undertaken by Mexico in consultation with the other American Republics.

Nevertheless, I would be grateful for early telegraphic reply which would enable me to assure Fernández on this point.

BOWERS

710 Conference W and PW/1-2245 : Telegram

The Acting Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, January 24, 1945—8 p. m.

45. Urtel 54 January 22, 4 p. m. Department circular of January 19 midnight in no way contemplated encouraging governments of the other American Republics to present requests for economic aid on the occasion of the conference at Mexico.

Sole purpose of circular is to obtain for our delegation as much information as possible concerning requests for economic aid which might be made of our delegation during the course of negotiations in which foreign delegates might choose to use such requests for trading purposes. Possessed of such data, our delegation would be in a position to discuss or parry such requests with full previous knowledge of the facts.

GREW

710 Conference W and PW/1-2445

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

No. 6993

CARACAS, January 24, 1945.

[Received January 27.]

SIR: With reference to my telegram No. 47 of January 20, 5 p. m.²⁹ I have the honor to enclose a single copy and a translation²⁹ of the

²⁸ Joaquín Fernández Fernández, Minister for Foreign Affairs.

²⁹ Not printed.

report which appeared in *El Universal* of January 20, 1945, of the interview with representatives of the local and foreign press given by the Foreign Minister, Dr. Parra-Pérez on January 19, 1945 covering topics related to the forthcoming Inter-American conference at Mexico City.

In this interview the Foreign Minister reiterated Venezuela's interest in the holding of a conference for the consideration of war and post war problems, adding that it was natural that President Medina's reply to the invitation of the President of Mexico had been favorable.

With regard to the proposed agenda he said that Venezuela approves it on general lines but that the agenda submitted by Mexico is still in the preliminary stage of study and that he could make no detailed comment on it at the time.

He stressed that Venezuela is lending to the cause of the United and Associated nations all that her means and possibilities permit, but is always disposed to examine with other countries measures as a whole which contribute to forwarding the common effort.

Referring to the Dumbarton Oaks³⁰ plan, he mentioned that Venezuela's observations are now common knowledge and that these observations would be renewed and amplified at the conference.

Alluding to the paragraph of the Agenda regarding furtherance of the Pan American system and its coordination with the world organization, he stressed Venezuela's constant efforts to strengthen the union of all of the American Republics and to give concrete form to the Pan American ideal and expressed its determination that continental solidarity be taken into account in the future.

Recalling his experience at Geneva, he expressed preference for a form, in a certain way federative, as being the best, if not the only method of correcting one of the fundamental weaknesses of the League of Nations and added that the set up in the American continent could be a most powerful factor of equilibrium, peace and progress within such a federative organization.

In the field of economic and social problems he said that the Venezuelan Commission which had been set up to study post war questions had already determined some of the points of view that Venezuela will support and that these problems have the greatest attention of the Venezuelan Government.

With regard to the Argentine case he said that Venezuela's presence at the proposed conference indicated that the Argentine matter was considered from the beginning independently and in the light of Venezuela's national interests, and that actually two questions are being submitted to the American countries; that of Argentina which

³⁰ For documentation on the Dumbarton Oaks conversations, see *Foreign Relations*, 1944, vol. I, pp. 713 ff.

arose after apparent unification of opinion regarding the necessity of an immediate conference on war and post war problems which would require a Consultative Meeting, and the Mexican invitation to an Inter-American conference on war and post war problems, which is a special conference.

Dr. Parra-Pérez characterized the divergences between Argentina and the other American nations as constituting the most serious and dangerous crisis of any that the Pan-American system has faced, and one which had long preoccupied his Government. In this connection he cited the Joint Declaration of August 7, 1944, issued by Colombia and Venezuela,³¹ which expounded the policy of both nations on this difficult question. In relation to this he explained the action of the Pan-American Union with regard to the Argentine request, and added that the Venezuelan Delegation will carry to Mexico the intention of contributing with all of its efforts to the settlement of the divergence.

Concerning the possible composition of the Venezuelan Delegation to the forthcoming conference, the Foreign Minister replied that President Medina had not selected its members as yet, but that he (the Foreign Minister) would preside over it and that it would have two Delegates, two Counselors and the Secretaries, probably eight persons in all.

In answer to a question about the attitude of the Venezuelan Government at the conference in relation to Argentina, Dr. Parra Pérez said that it will contend that good relations with that nation are important from the point of view that the Government considers the absence of any member of the American community will be very deplorable.

In a general observation Dr. Parra Pérez said that there is an idea that the Minister for Foreign Affairs always commits his Government, adding that Chancellors have to consult their Governments concerning immediately urgent problems.

On the petroleum question the Foreign Minister said that he believed this to be one of the most important at this moment, not only for the war effort but for the economy of certain countries, including Venezuela and that this is a matter for very special conversations among the Governments, adding that in view of the essentially political character of the forthcoming conference, he did not think that petroleum would be considered.

In answer to another question he expressed approval of the possibility of a Consultative Conference after a "meeting of consultation", especially in these times.

³¹ Quoted in despatch 4197, August 9, 1944, from Bogotá (835.01/8-944). The substance of the declaration is printed in the *New York Times*, August 8, 1944, p. 11. For statement on August 10 by the Secretary of State concerning this declaration, see Department of State *Bulletin*, August 15, 1944, p. 158.

Commenting on relations between the Bolivarian countries, he said their relations are always very close, but disclaimed any present project for acting together.

In concluding the interview Dr. Parra-Pérez said he had no absolute knowledge of the reasons for the resignation of General Peluffo from the Cabinet in Argentina.

The above summarized interview was also published in the leading Caracas newspapers of January 20, 1945 and was commented on editorially by *El Universal* to the effect that the Foreign Minister's words reiterate the policy traditionally followed by Venezuela within the framework of Pan-American relations.

Ultimas Noticias of January 21, 1945, remarked editorially with reference to the expressed criterion of the Government, that it considered that it did not correspond to the realities of the problem because it did not take into consideration the quality of the Government which Argentina has today, and went on to say that the Government of Perón-Farrel is nothing else than a bridgehead of Nazism on this continent, and that to disperse the divergences between Argentina and the other American nations a profound change must take place in Argentine policy signifying the total displacement of the forces which today subjugate the heroic people of the Republic of the Plata.

Respectfully yours,

FRANK P. CORRIGAN

710 Conference W and PW/1-1845

The Assistant Secretary of State (Rockefeller) to the Ambassador in Mexico (Messersmith)

WASHINGTON, January 25, 1945.

DEAR GEORGE: Thank you for your letter of January 18, enclosing a copy of despatch No. 22, 570.³² I fully understand the problem with which you were faced in proposing a change in date for the coming Conference from February 15th to the 21st, and it was only because of the Secretary's plans that we found it necessary to make this request.

With respect to item IV of the agenda for the Conference, I find unanimity among the Ambassadors here with whom I have spoken that this item should not contain any specific reference to Argentina or the resolution of the Pan American Union of January 6[8], 1945. They feel and I agree that this item as presently drawn will lead the press to focus public attention on the Argentine problem as being the primary purpose of the coming Conference. Therefore, if this prob-

³² Letter not printed; for despatch, see p. 9.

lem is not fully resolved during the Conference, there will be a tendency to condemn the Conference regardless of the results achieved on other matters.

Kind regards,

Sincerely,

NELSON A. ROCKEFELLER

710 Conference W and PW/1-2745 : Telegram

The Chargé in the Dominican Republic (Newbegin) to the Secretary of State

CIUDAD TRUJILLO, January 27, 1945—5 p. m.

[Received 7 : 14 p. m.]

36. Foreign Minister informed me this morning (with reference to Department's circular telegram January 20 [19], midnight) that the Dominican Government had as yet no concrete suggestions to present to the meeting of Foreign Ministers or any specific requests to make of the American delegation nor did it expect to have any. He said the Dominican authorities were making a detailed study of the agenda and should it become desirable to bring up any matter at the conference the Embassy would be advised in advance if possible or should such a decision be reached at the conference itself, no action would be taken without prior consultation with the American delegation. He emphasized once more the intention of his Government to cooperate with the United States during the conference as it had in other matters affecting foreign relations.

NEWBEGIN

710 Conference (W and PW)/1-2345 : Telegram

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

WASHINGTON, January 27, 1945—9 p. m.

92. Your 102, January 23, 1 p. m. You may confidentially inform Fernández that the Department has indicated to Padilla that it prefers that item IV of the agenda follow the general lines of its earlier proposal rather than the more specific Mexican proposal. The matter is now under discussion with the Mexican Government. It is the Department's view that in view of great importance of the other items on the agenda no unnecessary public emphasis should be given to the Argentine question in connection with the forthcoming Conference.

GREW

710 Conference W and PW/1-3045: Telegram

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

Bogotá, January 30, 1945—7 p. m.
[Received January 31—1:50 a. m.]

143. ReDeps circular telegram January 19, midnight. At the forthcoming conference in Mexico City I believe that the Colombian delegation will place before the conference proposals intended to give practical effect to the ideas contained in the Colombian memorandum of January 8 to the Pan American Union and the Colombian note of January 19 accepting the Mexican invitation. While I am not informed at this time as to whether or not the Colombian delegation will present draft resolutions on any of these points, it is probable that in one form or another the following specific proposals will be advanced:

1. Resolution providing for regular periodic meetings of Foreign Ministers of the American Republics, in addition to such special emergency meetings as may be deemed convenient.

2. Inter-American agreement regarding uniform bases for extending recognition to new governments, to avoid uncertainties and confusions which from time to time arise. (There is a strong tendency in Colombia to favor the Estrada doctrine).³³

3. Strengthening of inter-American organization by creating a central body empowered at any time to discuss political and juridical questions, or by broadening the functions of the Pan American Union to enable it to consider such questions.

4. Desirability of reincorporating Argentina into the inter-American system to preserve hemispheric solidarity and increase effectiveness of inter-American participation in the proposed world organization.

In addition to the foregoing points which Colombia may be expected to introduce within the proposed agenda of the conference, the following specific matters may be taken up with the American delegation alone:

1. Increased allocation of urgently needed materials essential to Colombia's economy, particularly trucks, tires, machinery, and agricultural equipment.

2. Purchase of rifles and other equipment for national police (re-Embstel 2063, December 23, 1944, 8 p. m.).³⁴

3. Lend-lease matters including possibilities of obtaining additional military equipment for the army, with attention invited to what Colombia considers to be preponderantly heavy deliveries of lend-lease equipment to Peru.

³³ Doctrine concerning recognition set forth by the Mexican Minister for Foreign Affairs, Genaro Estrada, in 1930. See Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

³⁴ Not printed.

4. Undoubtedly the coffee problem³⁵ will be discussed, with particular reference to prices and inflation.

The foregoing represents merely our best conjectures regarding matters which may be of primary interest to the Colombian delegation. If specific information is subsequently received the Department will be promptly informed by telegraph.

WILEY

710 Conference W and PW/1-3145: Telegram

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

BOGOTÁ, January 31, 1945—10 p. m.

[Received February 1—5:26 a. m.]

158. My 157 today's date.³⁶ In our conversation this morning President López referred at length to Argentina as the overshadowing problem of the Americas. While on the agenda, this question was to be the last; from a point of fact it would actually be the first. Clearly his idea is that a committee for the study of inter-American affairs should occupy itself immediately with this problem. He said and reiterated that Colombia was not going to Mexico City as an advocate of Argentina (indeed his sentiments seem anything but sympathetic to Argentina) but he seems to attach the greatest importance to the subject of the significance of Argentina to the solidarity of the remaining American republics.

President López is clearly preoccupied by certain juridical aspects of the Argentine question. He did not go into detail on this subject.

WILEY

710 Conference (W and PW)/1-3145: Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 31, 1945—11 a. m.

[Received 5:57 p. m.]

89. Re Department's circular telegram [January] 19, midnight. I have received from the Minister for Foreign Affairs³⁷ a lengthy and somewhat vague memorandum regarding the views of Ecuador as to a post war world organization with special reference to this hemisphere. The Minister informs me that this will be presented to the conference at Mexico City. He has submitted this to all of the American Governments and has requested their comments which he informed me

³⁵ For documentation on this problem, see pp. 351 ff. and pp. 870 ff.

³⁶ Not printed.

³⁷ Camilo Ponce Enriquez.

Ecuador would be glad to receive either prior to the Mexico City conference or during that conference. A copy and translation goes forward ³⁸ via airmail pouch today. It is entirely possible that after the receipt or comments from other governments the text of this so-called plan may be considerably altered.

The Minister informs me he is also drafting observations bearing directly on the Dumbarton Oaks proposals which he will likewise submit at the conference. He indicated it would take several more days to formulate his ideas and that he will furnish me with a copy.

SCOTTEN

710 Conference W and PW/1-3145: Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 31, 1945—11 a. m.

[Received 11:15 p. m.]

89. Bis. The Minister informed me on January 24, as I reported in a personal letter to James Wright ³⁹ that he intends to discuss the Galápagos and Salinas negotiations ⁴⁰ with our delegation at Mexico City. These discussions will obviously include compensation for the bases. I cannot, of course, predict how specific the Ecuadoran delegation will be but I believe it safe to say they will sound out our delegation as to how far we are prepared to go toward a general development plan including highways, port facilities, et cetera. The request may well be based on the Estrada ⁴¹ plan or a modified plan drafted by the Minister of Economy ⁴² a copy of which, however, has not yet been made available to the Embassy. I think it entirely possible that lend lease matters will be broached. The Chiefs of our Army, Navy and Air Missions inform me that the requests for lend lease aid for these different branches have already been submitted to Washington and are presumably on file with the War and Navy Departments there. They do not believe that any additional requests for lend lease aid will be made but they do feel that those already on file may well be actively pressed at Mexico City.

I do not believe that any project for health, sanitation or education will be broached as these matters have been well taken care of recently.

As indicated in the Embassy's airgrams A-9, January 9, A-14, January 18 and A-22, January 23,⁴⁴ the Ecuadoran Government

³⁸ Despatch 2681, January 31, 1945, not printed.

³⁹ Chief, Division of North and West Coast Affairs.

⁴⁰ See documentation on Ecuadoran defense problems, pp. 1007 ff.

⁴¹ Victor Emilio Estrada, prominent banker, visited Washington in September 1944 to discuss financial matters as a personal representative of the Ecuadoran President.

⁴² Luis Eduardo Laso.

⁴⁴ None printed.

is very anxious to receive trucks for highway and agricultural projects. The Government also desires tractors and agricultural equipment as yet not requested. In view of pending projects requests for priorities and assistance in obtaining prompt deliveries of these articles may be made to our delegation in Mexico City.

A request for shipping facilities for sugar from Cuba may well be stressed if the negotiations now under way are not concluded before the conference.

SCOTTEN

710 Conference (W & PW)/2-145: Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina and El Salvador

WASHINGTON, February 1, 1945—6 p. m.

The Department naturally does not wish to have any bilateral negotiations undertaken by our Delegation at Mexico City. You should therefore seek discreetly to discourage any tendency that you may discover on the part of the government to which you are accredited to undertake bilateral negotiations of any nature whatsoever in Mexico.

With particular reference to the Department's Circular Telegram of January 19, midnight, the Department does not wish to encourage the making of any specific requests of the American Delegation. Information regarding such requests should therefore be discreetly obtained. The Department does, however, wish to have the best information discreetly obtainable regarding such requests in order that it may have an opportunity to decide in advance what its attitude should be toward them.

Please submit additional reports as further information may reach you. Repeated to Buenos Aires and El Salvador for information only.

GREW

710 Conference W and PW/1-3145: Telegram

The Acting Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, February 2, 1945—2 p. m.

96. Reurtel 89, January 31, 11 a. m. Upon the receipt of your letter, Wright yesterday made it clear to Galo Plaza⁴⁵ that we do not wish to discuss the Galápagos negotiations⁴⁶ or any other similar bilateral

⁴⁵ Ecuadoran Ambassador in the United States.

⁴⁶ For documentation on the discussions in 1944, see *Foreign Relations*, 1944, vol. VII, pp. 1052 ff. In telegram 124, February 13, 1945, noon, from Quito, not printed, Ambassador Scotten reported that the Minister for Foreign Affairs had agreed not to discuss the Galápagos negotiations at the Mexico City Conference (710 Conference W and PW/2-1345).

negotiations with any of the American republics at the Mexico City conference. The conference will suffer if it is made the scene for a plethora of on-the-side deals between this government and others. This we are determined to avoid if at all possible. We want to keep the Galápagos negotiations in the normal channels where they now are and hope that we can move forward as rapidly as prudence may dictate.

Galo Plaza was told yesterday that we have had a confidential talk with Senators Connally and McKellar,⁴⁷ as a result of which McKellar has agreed to hold off on the presentation of any resolution affecting the Galápagos for three or four weeks at least and that he will not present one without consulting the Department. However, we have promised Senator McKellar that we will give him a further report on the progress of the negotiations within two or three weeks. Plaza had told us earlier that he expected an attorney to come from Quito to Washington to discuss with him the form which the agreement will take and possibly the method of compensation. Plaza said that his brother who had just arrived brought him the latest news from Quito including the report that the Constitutional Assembly will probably close not later than February 15. However, Plaza is proceeding with the collection of certain data on what compensation Ecuador will wish and the form which this could best take and will present this to us in an informal way as soon as possible.

You need not at this time do anything further with respect to leases owing to the fact that we are examining the feasibility of a treaty arrangement which would obviate the necessity for any lease which Plaza said would be most distasteful to Ecuador.

GREW

710 Conference W and PW/1-3145: Telegram

The Acting Secretary of State to the Ambassador in Colombia (Wiley)

WASHINGTON, February 3, 1945—3 p. m.

132. Reference your 157, January 31, 9 p. m.⁴⁸ You may inform President López at a suitable opportunity that your Government welcomes his remarks about the desirability of adequate machinery in the inter-American system to forestall any aggression in this hemisphere.

You may say that this Government is giving the most earnest consideration to the matter of strengthening the inter-American system with this in mind and that it plans to introduce a resolution at the

⁴⁷ Senators Tom Connally and Kenneth McKellar of the Senate Foreign Relations Committee.

⁴⁸ Not printed.

forthcoming Conference setting forth steps by which the machinery of the inter-American system might be improved. You may add that the United States will be most interested in learning more precisely what President López has in mind. While the Department cannot of course say that it will support President López' initiative until it receives the precise text of the proposed resolution, it was favorably impressed with the thoughts outlined by Dr. Santos to President Roosevelt⁴⁹ and would give a resolution embodying these thoughts most sympathetic consideration.

GREW

710 Conference W and PW/2-545: Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 5, 1945—4 p. m.

[Received 10:15 p. m.]

117. Embassy's telegram 109, February 2, 2 p. m.⁵⁰ The Foreign Minister⁵¹ today furnished the Embassy an informal and unofficial memorandum regarding points that the Panamanian delegation wishes to discuss with our delegation during the conference in Mexico. No mention is made by the Foreign Minister of resolutions which the Panamanian delegation may present before the conference as a whole.

The five subjects of interest which the Foreign Minister wishes to discuss with our delegation are: (1) reduction by maritime conferences of freight rates on cargoes for Panama (2) a loan of 10 million dollars from the Export-Import Bank to be used for the construction of a national airport in Panama which already has been started (3) starting work and studies on the construction of a concrete highway in the Panamanian section of the Pan American Highway, the Government of Panama to contribute one third of the cost according to agreement and the construction by the Public Roads Administration of the United States of the concrete highway to Chepo (4) the return of amounts chartered to the excess collected for water rates as concerns capital and interest, from the date from which the American Congress authorized the transfer to Panama of certain water and sewer systems to the cities of Colon and Panamá⁵² and (5) facilities to acquire

⁴⁹ In a memorandum of January 9, 1945 (710.11/1-945), ex-President Santos expressed the fear that lend-lease armaments would lead to internal aggression and that the only remedy was mutual guarantee of borders. President Roosevelt agreed and indicated support for the proposal.

⁵⁰ Not printed.

⁵¹ Roberto Jiménez.

⁵² For documentation on the water and sewer problems, see *Foreign Relations*, 1944, vol. VII, pp. 1425 ff.

in the United States as soon as possible construction materials and equipment for use in the Public Works Program of Panama.

DONNELLY

710 Conference W and PW/2-645 : Telegram

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*

WASHINGTON, February 6, 1945—7 p. m.

55. Your despatch 5111, November 23, 1944.⁵³ You may refer to the memorandum addressed to you on November 23, 1944, by the Uruguayan Minister of Foreign Affairs⁵⁴ and inform the Foreign Minister that your Government has been giving most sympathetic consideration to the proposal which he outlined in that memorandum regarding a guarantee of frontiers. You may say that your Government will be most interested to learn in greater detail what the Foreign Minister has in mind.

While the Department cannot of course say that it will support his initiative until it receives the precise text of his proposed resolution, you may inform the Foreign Minister that the Department is favorably impressed with his initiative in principle. You may add that the Department is giving the most earnest consideration to the matter of strengthening the inter-American system and that it plans to introduce a resolution at the forthcoming Conference setting forth steps by which the machinery of the inter-American system might be improved.

GREW

710 Conference W and PW/2-745 : Telegram

*The Chargé in the Dominican Republic (Newbegin) to the Secretary
of State*

CIUDAD TRUJILLO, February 7, 1945—6 p. m.

[Received 11 : 38 p. m.]

49. The Foreign Minister⁵⁵ has just informed me (see Embassy's airgram A-83 February 7, 9 : 10 a. m.⁵⁶ forwarded by courier today) that the Dominican delegation, should the opportunity arise, intends to submit to the Mexico City Conference President Trujillo's plan for a society of American nations. He stated that the delegation would present the matter as forcefully as possible but added that his own

⁵³ Not printed.

⁵⁴ José Serrato.

⁵⁵ Manuel A. Peña Batlle.

⁵⁶ Not printed.

opinion was that the prospects for the proposal being adopted were not great. It is understood that the proposal does not vary essentially from that submitted at the Buenos Aires and Lima Conference.⁵⁷

NEWBEGIN

710 Conference W and PW/2-845: Telegram

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

WASHINGTON, February 8, 1945—8 p. m.

30. The Guatemalan Ambassador⁵⁸ has stated that his Government is not prepared to recognize El Salvador before March first but that it will recede from its position of not attending the Mexico City Conference if El Salvador does. This concession would be easier, and immediate recognition is a possibility, if delegates represent new President.⁵⁹ You should intimate tactfully but forcefully to the Government of El Salvador that whereas your Government cannot, of course, present conditions of this nature to El Salvador,⁶⁰ it hopes that the delegation will represent the new Administration. Our position, which is also a reflection of the Mexican attitude, is that this is desirable not only in the interests of a common hemisphere front but also that it is in the interests of El Salvador itself that its delegation to Mexico City should represent the incoming Administration. It is the new Administration which will be called upon to carry out the decisions and recommendations to be adopted at Mexico City. Please telephone the names of the delegates selected by Casteñada Castro as soon as possible.

GREW

710 Conference W and PW/2-945: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 9, 1945—4 p. m.

[Received 5:44 p. m.]

104. I communicated yesterday to Serrato contents your 55, February 6. He has handed me a tentative draft of "American pact of peace

⁵⁷ Inter-American Conference for the Maintenance of Peace, Buenos Aires, December 1-23, 1936, and the Eighth International Conference of American States, Lima, December 9-27, 1938. For documentation on these Conferences, see *Foreign Relations*, 1936, vol. v, pp. 3 ff., and *ibid.*, 1938, vol. v, pp. 1 ff., respectively.

⁵⁸ Eugenio Silva Peña.

⁵⁹ Salvador Casteñada Castro.

⁶⁰ For documentation on recognition of El Salvador by the United States, see pp. 1065 ff.

and mutual guarantee" containing eight articles which I summarize as follows:

1. Repudiates force as means of settling international conflicts except where employed to resist acts contrary to stipulations of pact or pursuant to collective procedure envisaged in articles III, IV, and V.
2. Parties to bind themselves to submit to juridical procedure by any agreements which may exist between parties to controversy.
3. Parties to bind themselves to maintain collectively and individually by all means including force and territorial integrity political independence and inviolability of rights and boundaries of each and all.
4. In case of any violation of obligations or fear of violation parties to consult at initiative of any one of them in order to agree upon most suitable collective measures to prevent violation, impose immediate cessation of force, reestablish *status quo ante* and oblige parties to submit conflict immediately to juridical settlement.
5. Every agreement award or sentence terminating an international conflict to have collective and individual guarantee of all signatories to insure compliance, guarantee to be made effective pursuant to terms of article IV.
6. Pact and instruments of ratification to be deposited in Mexican ForOf.
7. Pact to take effect as between parties upon deposit of instruments of ratification.
8. Stipulations of pact concerning collective use of force for insuring regional peace and security to be adapted *ipso jure* to provisions of instrument creating new world security organization.

Text by airmail to Department and Mexico City.⁶¹

DAWSON

710 Conference W and PW/2-1045: Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, February 10, 1945—7 p. m.

[Received February 11—2:52 a. m.]

166. The Foreign Minister called me to the Foreign Office this morning for the purpose he stated of amplifying orally the outline of the Bolivian plan of action at Mexico City contained in the memorandum delivered to me last evening (Embassy's telegrams 161 February 9, 6 p. m. and 162 February 9, 7 p. m.).⁶²

Chacón stated that as a general proposition the efforts of the Bolivian delegation will be directed toward the establishment of a system of continental solidarity and collective security. From statements made later on in the conversation I gained the impression that the

⁶¹ See *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace*, pp. 155-156.

⁶² Neither printed.

underlying reason for Bolivia's attitude with respect to these points is the conviction that Argentina and Brazil must clash within the next few years and that in that event geographical factors would compel them to wage war on Bolivian territory. I also inferred that Bolivia hopes that the Atlantic Charter may afford a means of preventing such a development and that the Bolivian delegation will stress the significance of that pronouncement at the conference.

With respect to Argentina, Chacón stated that he wished to have us know that Bolivia feels that the present situation is most unfortunate and that it is highly desirable that Argentina be brought back into the concert of American Nations. I asked him if he did not also feel that considerable responsibility rests upon Argentina for the existence of the present situation and that it has some contribution to make toward its return to the American community. He stated that of course this is the fact and that Bolivia's attitude at the conference will be governed by a spirit of cooperation with the majority of the American States.

As to the port question, Chacón stated emphatically that it is a matter of vital importance to Bolivia which feels that it must have an outlet to the Pacific and that historic wrongs connected with that problem must be rectified. He stated, however, that on this point the attitude of his delegation will be prudent but he left no doubt in my mind that the subject will come up in one way or another at the conference.

Chacón mentioned Dumbarton Oaks and stated that after careful study the Bolivian Government strongly favors the Padilla proposals over those emanating from the Dumbarton Oaks meeting.

The Minister stated that Bolivia is disposed to establish relations with the Soviet Union ⁶³ but that it intends to do so in its own manner and at a time of its own choosing. He added that he has reason to believe that Chile, Ecuador, Colombia and perhaps other countries contemplate proposals at the Mexico City conference whereunder all Latin American states which have not done so would simultaneously establish relations with the Soviet Union. In this connection he endeavored to obtain my views as to the possible threat to security which the Soviet Union may constitute in world affairs after the war.

He stated that he understands that an effort may also be made at the conference to bring about the breaking of relations with the Franco Government ⁶⁴ [by] all American States and commented that he thought this would be unwise and undesirable. He added that he

⁶³ For documentation on the concern of the United States regarding relations between the American Republics and the Soviet Union, see pp. 223 ff.

⁶⁴ For documentation on the attitude of the United States with respect to the Franco regime in Spain following World War II, see vol. v, pp. 667 ff.

considered the explanation made in Sumner Welles' *Time for Decision* of the considerations which induced the United States to maintain relations with Franco very sound and still applicable and that the action to which he referred would be detrimental to the interests of the United States.

He repeated that if any move were made at the conference offensive to Bolivian dignity he would withdraw instantly.

Chacón stated that he is very anxious to have an early interview with the Secretary and Nelson Rockefeller and in this connection he spoke most highly of Avra Warren⁶⁵ and expressed the hope that he also would be present at the conference. When I asked him if there were any specific subjects which he wished to discuss with the American delegation Chacón replied that he wishes to take up plans affecting Bolivian tin and other minerals, rubber and petroleum and also further American collaboration especially in the reorganization of the Bolivian banking system by means of financial support which would make possible the separation from the Central Bank of its present commercial functions leaving it solely as a bank of issue.

THURSTON

710 Conference W and PW/2-545: Telegram

The Acting Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, February 10, 1945—7 p. m.

71. Reurtel 117, February 5, 4 p. m. Panamanian Government appears to have misunderstood requests made by Embassy pursuant to Department's circular telegram of January 19, 1945, midnight. The topics listed in Panamanian memorandum have no hemisphere application. They could more appropriately be handled through the usual diplomatic channels (as they are in fact being handled), especially as many of them could only be discussed satisfactorily between technical experts. Department is anxious to avoid introducing into Mexico City meeting subjects which are purely bilateral, feeling that to do so would necessarily detract from the attention given subjects of full hemisphere interest and significance. You are requested to inform the Panamanian Government in the above sense.

GREW

⁶⁵ Director, Office of American Republic Affairs.

710 Conference W and PW/2-1045

The Ambassador in Guatemala (Long) to the Secretary of State

No. 2121

GUATEMALA, February 10, 1945.

[Received February [17?].]

SIR: I have the honor to report that soon after the receipt of the Department's telegram no. 72 of February 8, 8:00 p. m.,⁶⁶ I called on Dr. Muñoz Meany⁶⁷ and explained to him the substance of the Department's message under acknowledgment. He seemed quite perturbed and said that he presumed that there was nothing to do except for the Guatemalan Government to cancel the reservations made for its delegation and abstain from attending the conference. Very considerable pains were taken to reflect good reasons why Guatemala might preferably adopt a more conciliatory point of view in connection with this international meeting.

All of the arguments used in the Department's telegram were given to the Minister in addition to those contained in the memorandum of conversation dated January 31, 1945,⁶⁸ with the Guatemalan Ambassador in Washington and Messrs. Warren and Cochran.⁶⁹

The Foreign Minister asked what reason I had to believe that a Salvadoran delegate would represent the President-elect, Castañeda Castro, and what position Mexico had taken. I assured him that the only specific information in my possession was that contained in the Department's latest telegram. Dr. Muñoz Meany offered to consult with Mr. Jorge Toriello,⁷⁰ and advise me as to the Executive decision.

As no word came from him yesterday, I called on the Foreign Minister at ten this morning and said that I had been greatly pleased to read in last evening's *Nuestro Diario* the names of the delegates to the conference at Mexico City. Dr. Muñoz Meany said that those had been handed to the newspaper prior to my visit reported above. He then showed me the original of the note dated February 10 addressed to this Embassy, stating that Guatemala would not attend the meeting at Mexico City. He added that this had not been sent to me yesterday for the reason that he had hoped information might be received which would make it unnecessary. I asked what type of information and he said: "Well, if we had assurances from Mexico that the representative from Salvador would sit in at the conference as an observer (without voice or vote) representing the Castañeda Castro régime (to be), from conference opening to March 1st, that would considerably help matters.

⁶⁶ *Post*, p. 1068.⁶⁷ Enrique Muñoz Meany, Minister for Foreign Affairs.⁶⁸ Not printed.⁶⁹ William P. Cochran, Assistant Chief, Division of Caribbean and Central American Affairs.⁷⁰ Guatemalan Ambassador to Mexico.

The Foreign Minister said that the basic fear existed in Guatemala that any recognition of the Osmin Aguirre régime would result in his refusing to turn over to his successor.

He added that Mr. Guillermo Toriello, Guatemalan Ambassador to Mexico, had just flown back from that country and he might have some news. If so, the Minister would confer with me again in the very near future. He requested that in the meantime, I refrain from communicating with Washington until he could again seek to reason with the Executive.

Respectfully yours,

BOAZ LONG

710.11/2-1245

The Honduran Ambassador (Cáceres) to the Assistant Secretary of State (Rockefeller)

TC No. 9036

WASHINGTON, February 12, 1945.

[Translation]

ESTEEMED MR. ROCKEFELLER: I have had the honor to receive your courteous note ⁷¹ by which you do me the distinction of requesting my opinion concerning the points set forth in the memorandum ⁷¹ with which you were good enough to acquaint me.

In a general way, and in the form of an impression of the undersigned, and without entering into other commentaries that would make this reply too long, I am pleased to refer to these points, in the order in which they appear:

I. One of the most appropriate means of strengthening the inter-American system with a view to solving problems that arise would be that of broadening, with more immediate effectiveness, the powers of the Pan American Union, for which purpose it would be necessary to amend the convention which constitutes it.

II. In America we have a peace organization, so to speak, outlined in various conventions, treaties and agreements. This organization concerns itself with good offices, mediation, consultation and arbitration as effective means of resolving difficulties between American states; so that in the establishment, in the international organization which it is proposed to create, of the recognition of regional systems—we might say the “inter-American regional system”—it would be reasonable to believe that an attempt would be made to settle all these disputes, in the first place, by those diplomatic, international and juridical means which the inter-American system offers, before such disputes were submitted to the said new organization. Naturally, if it should be a question of a threat to peace between two or more coun-

⁷¹Not printed.

tries of America, the organization would need to have authority in the final analysis in order that peace might be maintained or might not be interrupted.

Points "a", "b", "c", and "d" are connected in general with the foregoing replies.

The statutes of an International Court, as an integral part of the system of a new international organization, could provide that if one or more American states should find themselves in an impasse in resolving their difficulties or controversies that have not been submitted beforehand to an international procedure such difficulties or controversies should be obligatorily submitted to the jurisdiction of a Supreme Court of International Justice. This of course would imply that arbitral decrees must be strictly complied with in America, and that treaties signed and decisions handed down must have an obligatory character backed in every case by the necessary compulsion, duly stipulated beforehand.

One of the aspirations in the evolution of international law has been to establish obligatory arbitration for every kind of dispute, whether of a judicial or of a political character. The orthodox theory of the untouchability of sovereignty has now given way to the inevitable political and economic interdependence of nations and, consequently, one may believe that there is no longer any exclusive matter involving such sovereignty that could not be submitted for an arbitral decree or a decision of an international court: it being understood, of course, that in all these new settlements there should be no retroactive jurisdiction whatever in those matters which might now be subject to a decree or decision.

III. Although it is true that international cooperation is a universal principle, here in America it has had a special meaning with respect to the twenty-one republics of the western hemisphere, and, consequently, it would be necessary to remember that the provisions which might be made in the new organization for international economic and social cooperation would need to be directed toward strengthening and encouraging understandings of reciprocal aid, already in practice throughout the length of the American continent. Here in America there already exist organizations which, like the Permanent Committee on Food and Agriculture—about to be signed—and the International Currency Stabilization Fund and the International Bank, could be factors of liaison, in certain aspects, for implementing such economic cooperation and relating the aims of economic cooperation of the new organization with the same economic and social aims of the inter-American system, without prejudice to each regional agency or system's maintaining its own status.

IV. In view of the new international organization in process of creation, it would be appropriate to coordinate or readjust certain inter-American principles and doctrines which, although based on international law have a certain regional special character, to the provisions or regulations of the said new organization. Naturally, the object of the coordination achieved would be not only to place certain fundamental principles of the two systems in accord, but also to strengthen the inter-American system, which is one of the most admirable collective experiments among sovereign states that have been made to date.

With reference to the first point of this number IV, there are certain committees charged with the codification of international law, but one could believe that the Inter-American Commission of Jurists, if furnished more means, would be capable of accomplishing such codification.

In respect to the coordination of the various inter-American peace agreements, it is natural to suppose that one of the inter-American conferences would, after respective study with the governments, come to a decision on this matter.

The inter-American conferences have been operating under a pre-established procedure and it would be desirable if they were kept as they have been to date, like the consultative meeting of Ministers of Foreign Relations.

It is natural to admit that for unity of action, of knowledge, and of technical consultation, the autonomous and semi-autonomous organizations that have arisen from the various inter-American conferences will refer their decisions and acts to the Pan American Union as the center of informative compilation.

With respect to points 6 and 7, it is advisable for the Pan American Union to be the liaison organization or catalytic agent, so to speak, between the authority that is vested in the Security Council and the pursuit of its aims that may be connected, in one way or another, with the functioning of the inter-American system in the western hemisphere.

With reference to point 6, there is no doubt that organizations like the Inter-American Financial and Economic Advisory Committee and the Inter-American Commission of Jurists should continue definitively to strengthen their functions, structure, aims and connections, for it has already become evident that the functioning of such organizations effectively complements the aims of the Pan American Union and guides the course and resolution of various inter-American studies and problems.

It cannot be doubted that the Pan American Union has carried on and still carries on, among the twenty-one American republics, a work

of transcendental importance; and its powers and jurisdiction in the economic-cultural field and in that of reciprocal relations have been so broadened that it has now become evident that, in view of the new international organization for world peace and security being planned, the Pan American Union should now have specific powers for the operation of the machinery of peace which has been created by statute in various treaties and conventions.

The same is true with respect to representation of the Pan American Union in the said new peace organization, for which purpose it would be appropriate to revise the convention creating the Pan American Union and have it immediately ratified by all the respective Governments.

As I explained at the beginning of this note, the foregoing remarks are of a general and informal character; and, although they contribute nothing new, they bear in themselves, with an expression of thanks at the same time, the intention of accepting the flattering invitation which the Honorable Mr. Rockefeller has made to me by placing before me a series of questions which, being so intelligent and well-ordered, precisely reveal an exact comprehension of the problems to be discussed in the future, both among and within the American republics.

With the assurances of my highest consideration [etc.]

JULIÁN R. CÁCERES

710 Conference W and PW/2-1245 : Telegram

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

SANTIAGO, February 12, 1945—4 p. m.

[Received February 13—1 : 21 a. m.]

207. Foreign Office states the principal Chilean aims at the Mexico City Conference are:

1. Adherence to agenda and avoidance of unforeseen proposals.
2. Chile has already requested clarification of the phrase "complementary measures" in point I of the agenda.
3. Regarding point II paragraph A, Chile intends to make a broad reservation as regards Dumbarton Oaks provisions not agreed to by the Great Powers. While accepting the creation of an international organization based upon the fundamental rights of States, Chile will propose that definition of these rights be entrusted to a juridical committee who will report to the next Pan American Conference or a special conference suggesting inclusion of respect for treaties and effective observance of juridical equality of States.
4. Chile will advocate the right of adherence to the new international organization at appropriate time by all countries and the right of withdrawal under certain circumstances.
5. It will propose better balance between the Security Council and the Assembly by increasing elective or semi-permanent members of

Council and requiring approval of certain measures by the Assembly, strongly supporting present World Court as sole organ of international peace.

6. As to peaceful solution of conflicts Chile will insist upon greater authority for the Assembly and regulation of means of compulsion. Considers definition of aggression desirable although difficult. Accepts world-wide military collaboration subject to certain domestic and international requirements but opposes adoption of international law as domestic law so as to conflict with constitutional procedures. Will express general agreement with chapters 9 and 10 of Dumbarton Oaks, suggest amendment of chapter 11 and addition of a protocol concerning transitory provisions.

7. With respect to regional agreements or systems Chile believes existing Pan American system should be perfected and given explicit preference in settlement of regional conflicts, excluding the world system until failure occurs. It will oppose creation of an American League of Nations or political advisory body. It will reassert its opinion that measures of compulsion must take into account geographic, political and economic factors and will require a certain vote in the Assembly and in the Council; in case of military measures additional steps will be necessary, all countries not being bound unless such vote is attained, and military collaboration will be voluntary in case of conflicts in other regions not involving world peace.

8. Chile proposes if practicable to establish definition such terms "resolution", "recommendation" and "declaration" whose indiscriminate use creates confusion and faulty interpretation.

Chilean delegation intends to broach in economic field only such fundamentals to stabilization of hemispheric economy as protection of basic American industries (resolution 9 of Rio Conference⁷²); the creation or perfection of systems of inter-American credit for development of production; facilities for intensified industrialization of American nations and avoidance unemployment. Chileans believe matters of secondary importance should be held over for discussion at technical Pan American Economic Conference next June.

Embassy believes Foreign Minister Fernández may emphasize privately of our delegates advisability of promptly including [*concluding?*] Chilean-United States Trade Agreement.

Repeated to Mexico City.

BOWERS

⁷² Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942. For text of the resolution, see Department of State *Bulletin*, February 7, 1942, p. 126; for documentation on the Conference, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

710 Conference W and PW/2-1345: Telegram

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

SAN SALVADOR, February 13, 1945—9 a. m.

[Received 5:05 p. m.]

51. From Simmons.⁷³ Carlos Menéndez Castro, probably now the principal adviser of Osmin Aguirre,⁷⁴ has just informed a member of the Embassy staff as follows regarding the present attitude of the Aguirre government with respect to naming delegates for the Mexico City Conference:

That at Aguirre's request, Menéndez Castro called on Aguirre Saturday afternoon February 10 and advised that he should not name delegates for the Mexico City Conference until he had first received an invitation to the conference: That otherwise if Aguirre named delegates and subsequently for one reason or another did not receive an invitation, Aguirre and his government would be seriously embarrassed. That the invitations for the conference should be directed either to Aguirre's government or to Aguirre and Castañeda jointly, and in either event, it was imperative that at least one of the delegates should be a full representative of Aguirre and his government so that in case any question arose at the conference regarding Aguirre or his regime, Aguirre could be fully represented and defended by his own representative. Menéndez Castro added that Aguirre had told him that he would abide by these suggestions.

The above information doubtless explains the change in Aguirre's attitude as shown in my telegram No. 50, February 12 noon⁷⁵ and furnishes a key to his present line of reasoning.

Sol has postponed giving names of delegates but now talks about furnishing them late today. [Simmons.]

GADE

710 Conference W & PW/2-1445: Telegram

The Ambassador in Guatemala (Long) to the Secretary of State

GUATEMALA, February 14, 1945—6 p. m.

[Received February 15—1 a. m.]

108. The Guatemalan Foreign Minister told me today that it is again uncertain that Guatemala will send a delegation to the conference at Mexico City because he heard this morning from the Guatemalan Ambassador in Mexico that the Aguirre government in El Sal-

⁷³ John F. Simmons, Appointed Ambassador, pending recognition by the United States of the Salvadoran government.

⁷⁴ Provisional President.

⁷⁵ Not printed.

vador was going to be recognized tomorrow by the majority of the American Republics. He said again that the Guatemalan concern is that if Aguirre is recognized he will not turn over the government to Castañeda.

After some discussion the Minister said that a Guatemalan delegation would attend the conference if the Salvadoran delegation are present only as observers and as representatives of the Salvadoran people and President-elect Castañeda until Castañeda takes office when they would receive full powers. Guatemala would attend under these circumstances even if one or two governments were to recognize Aguirre and even if Aguirre as a technicality commissioned the observers. The Minister said he was telephoning the Guatemalan Ambassador in Washington to try to obtain a clarification of the status of proposed recognition and the status of a proposed delegation from Salvador. He is very anxious to clarify the uncertainty. If Aguirre is recognized, the Minister said arrangements might be made for the Guatemalan Ambassador to Mexico to act as an observer at the conference.

The Minister said that if Guatemala sends a delegation to the conference it will have two or three "initiatives" which he considers it premature to mention now but that he could say it would be the particular desire of the Guatemalan delegation to cooperate in every possible way with the United States delegation and specifically in the Argentine matter.

LONG

710 Conference W and PW/2-1445: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 14, 1945—6 p. m.

[Received 10:43 p. m.]

119. We learn that in addition to two proposals mentioned my 74, January 30,⁷⁶ Uruguayan delegation will probably present following specific proposals at Mexico City forecast in general way in my press telegram 108, February 10.⁷⁶

1. Resolution recommending that in peace treaties in considering new juridical world order there be established as permanent guaranty of peaceful co-existence of states principle of freedom of transmission and reception of news or information verbal or written published in books or press disseminated by radio or other means without censorship same to apply to epistolary, telegraphic or other private correspondence.

⁷⁶ Not printed.

2. Resolution recommending that American Republics take measures to prevent in accordance with local laws and subject to legal guaranty establishment in their respective territories of individuals or groups of subjects of Axis Powers who might constitute a danger to democratic systems and afford said powers facilities for preparing or providing third world war. Same resolution would reaffirm principle of American public law against collective invocation of minority status by residents considered aliens as set forth in Lima resolution 27⁷⁷ and Rio resolution 20.⁷⁸

3. Resolution recommending that American Republics through their internal penal legislation punish as crimes individual or collective acts favoring non American State at war against American State victim of aggression. Preamble cites Uruguayan law of November 19 and Chilean law of December 31, 1942.

Foreign Office has made study of consultative procedure and furnished delegation suggestions for discussion if atmosphere propitious. Suggest or envisage establishment permanent secretariat including Secretary General, assistant secretary and representative Pan-American Union. Secretary General would be appointed by Foreign Minister of country designated as seat of next conference and would work with previous Secretary General during interim period. Details by courier.

We are informed Uruguayan delegation will not raise Argentine question and will be governed entirely by instructions to be obtained from Serrato if question is raised by others.

We are also informed that delegation will not raise question of status [apparent omission].

DAWSON

710 Conference W and PW/2-1345 : Telegram

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

WASHINGTON, February 15, 1945—6 p. m.

36. Reurtel no. 53, February 13, 11 p. m.⁷⁹ Mexico has expressed willingness to recognize Aguirre régime and a circular telegram⁸⁰ fixing a date for this action will reach you shortly. Guatemala was adamant in refusing to sit at Conference with delegates accredited by Aguirre régime, even though chosen by Castañeda Castro. In consequence Mexico, which is naturally primarily interested in the success of the Conference, has indicated that it will not invite Aguirre but

⁷⁷ *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9-27* (Washington, Government Printing Office, 1941), p. 133.

⁷⁸ Department of State *Bulletin*, February 7, 1942, p. 132.

⁷⁹ Not printed.

⁸⁰ Dated February 15, 5 p. m., p. 1069.

will intimate to Castañeda Castro informally a willingness to accept his delegates as of March first if and when he takes office. Department feels Mexico will encounter some difficulty in failing to invite the recognized Government of one of the United Nations but considers this primarily a problem for Mexico, as host, to handle.

Repeated to Guatemala for information only.

GREW

710 Conference (W & PW)/2-1745

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

No. 583

PORT-AU-PRINCE, February 17, 1945.

[Received February 20.]

SIR: I have the honor to report that on February 14th during a visit which I paid to the Haitian Minister for Foreign Affairs⁸¹ in order to say goodbye to him before his departure for Mexico City, I asked him whether the Haitian delegation expected to take any definite position with reference to any of the agenda of the Conference. M. Lescot replied that, with the exception of a Resolution which the Haitian delegation would submit to the Conference, it would do everything possible to strengthen the inter-American system of cooperation and to keep in especially close touch with its American colleagues. I took advantage of this opportunity to tell him that, while this cooperation would, of course, be very welcome, I felt that, should the Haitian delegation desire to enter into negotiations with their American colleagues on any special subject, it would be preferable that such negotiation should take place either through the Haitian Embassy at Washington or the American Embassy at Port-au-Prince. He appeared to assent to this view.

The Minister then showed me the draft of his delegation's Resolution, which I was permitted to examine briefly. It consists of two subjects:—(1) that any American state should be prohibited to receive war criminals, and (2) providing punishment for the aggression of one American state against another. It is my recollection that, in case of an offense, the Advisory Committee for Political Defense at Montevideo would be authorized to consider the matter and warn the offender. Should the latter ignore the warning, the Committee would be further authorized to recommend, in the case of aggression, sanctions such as economic restrictions or possible military punishment by means of one or more states which might be designated to take this action. I informed the Minister that, in my opinion, the last named provision would give rise to much discussion and possibly opposition.

⁸¹ Gérard Lescot.

During the conversation reference was made to the possibility of using the Pan American Union as the medium for transmission of notifications to the other American Republics in the case of an act of aggression. I informed the Minister that, speaking personally and unofficially, I did not perceive any objection to this, as I felt that my Government would be glad to see any strengthening of the inter-American system either through the Pan American Union or the Conferences of Ministers for Foreign Affairs.

The Minister, accompanied by Messrs. Roy⁸² and Heurtelou,⁸³ left Port-au-Prince during the evening of February 15th enroute for Mexico City.

Respectfully yours,

ORME WILSON

711.32/2-1845 : Telegram

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

[Extracts]

RIO DE JANEIRO, February 18, 1945—9 p. m.

[Received February 19—8:26 a. m.]

507. To Acting Secretary of State only from Secretary Stettinius.⁸⁴ You will be interested in my memorandum of conversation last night with Vargas⁸⁵ which I am leaving for the Embassy files and which reads as follows:

The conversation with the President lasted nearly one and one-half hours and was extremely harmonious and friendly throughout. In answer to inquiries by the President I discussed the significance of the Crimea Conference. In this connection he said that Brazil had little experience in European politics and would wish to follow the lead of the United States in such matters.

The President also brought up the question of the Argentine situation and although he appeared critical and suspicious of Argentina, he said that he hoped some way could be found to have Argentina participate in the Mexico City Conference. I told him in my opinion we should not be precipitate in welcoming the Argentine back to the inter-American family. I said I thought the formula we had suggested on this point for the Mexico City Conference was sound and should continue to be followed, namely, that after the other business of the Mexico City Conference has been transacted, consideration could be

⁸² Hérard Roy, Chief of the United States Section, Ministry for Foreign Affairs.

⁸³ Daniel Heurtelou, Chief of the Private Secretariat of the President.

⁸⁴ Secretary of State Stettinius was returning from the Yalta (Crimea) Conference.

⁸⁵ Getulio Vargas, President of Brazil.

given to inviting Argentine representatives to appear and to make any proposals they might desire to present. The President was noncommittal about this particular point but expressed no objection and in the course of our discussion of the Argentine he said specifically that Brazil would wish to follow the American lead in relation to the Argentine.

[Stettinius]
DANIELS

710 Conference W and PW/2-2245 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, February 22, 1945—3 p. m.

[Received 7:21 p. m.]

204. Embassy's 182, February 17, noon.⁸⁶ Colonel Pinto⁸⁷ called me to the Foreign Office this noon to say that it has become necessary to modify the assurances he gave me a few days ago. He said the Bolivian Government understands that the Chilean delegation at the Mexico City Conference will introduce proposals looking toward general recognition of the territorial *status quo*. Inasmuch as acceptance of this scheme would block Bolivia's rightful claim to an outlet to the Pacific, the Bolivian delegation will, if any such proposal is made at the Conference, assert its views with respect to the port question.

THURSTON

710 Conference W & PW/2-2345

The Ambassador in El Salvador (Simmons) to the Secretary of State

No. 7

SAN SALVADOR, February 23, 1945.

[Received March 1.]

SIR: I have the honor to advise the Department that Dr. Arrieta Rossi, Foreign Minister, told me in conversations of yesterday and of the previous day that the attitude of the Foreign Office toward attendance of Salvadoran delegates at the present Mexico City Conference of Foreign Ministers is one of indifference, and that he sees no reason to take any step which would facilitate such attendance.

He commented in this connection that he did not feel it compatible with the dignity of the Salvadoran Government for it to receive a special type of invitation differing from that received by the other Latin American governments. He said that he was, of course, speak-

⁸⁶ Not printed.

⁸⁷ Col. José Celestino Pinto, Acting Minister for Foreign Affairs.

ing for the Aguirre Government, and that naturally the situation would be changed as of March 1, when General Castañeda Castro will assume the Presidency of El Salvador.

Similar sentiments were expressed to me informally yesterday by Dr. Ulloa Morazán, the Under Secretary of Foreign Affairs, and there is enclosed herewith, as of interest in this connection, a translation⁸⁸ of a press interview with him, published in yesterday's edition of *La Prensa Gráfica*, in regard to this question.

Respectfully yours,

JOHN F. SIMMONS

II. PREPARATIONS FOR THE CONFERENCE

EDITORIAL NOTE

[For a narrative account of preparatory work for the Conference, including a description of administrative arrangements, see Department of State Publication 3580, *Postwar Foreign Policy Preparation, 1939-1945* (Washington, 1949), page 398 ff.]

710 Conference W and PW/1-645

Memorandum by Mr. James Espy, Foreign Service Officer, to the Chief, Division of Caribbean and Central American Affairs (Cabot)

[WASHINGTON,] January 6, 1945.

I have conferred with the following officers in the Department regarding suggested subjects to be dealt with and resolutions to be offered in the forthcoming Conference.

Mr. Haley—ECA
 Mr. Gerald Smith—CP
 Mr. Wayne Jackson—WEA (for Mr. Taft)
 Mr. Spaeth—RPA
 Mr. Sanders—RPA
 Mr. Allen—RPA
 Mr. Collado—FMA
 Mr. Thomas Mann—WT
 Mr. Falck—SD (for Mr. Saugstad)
 Mr. Morgan—AD
 Mr. de Wolf—TD
 Mr. Clattenburg—SWP

⁸⁸ Not printed.

Mr. Warren—A-B

Mr. Neal—FC ⁸⁹

The following is a resumé of my conversations with these officers setting forth the suggestions, proposals and possible resolutions which they have in mind.

POLITICAL-MILITARY MATTERS

Subversive Activities. Mr. Clattenburg, SWP, stated that he had already sent a memorandum to Miss Maylott ⁹⁰ setting forth material on the subject of subversive activities. This material could readily be reduced to the form of a resolution.

Intelligence. Mr. Fletcher Warren strongly recommended that the subject of intelligence activities and exchange of intelligence information not be brought up at the Conference. He explained that our future approach to this subject has not yet been clarified, in particular with respect to the continued services of our legal attachés stationed in the other American Republics and accordingly believed this matter could be left for discussion at a later date if it need ever be taken up at all.

COMMITTEE FOR POLITICAL DEFENSE

Mr. Sanders and Mr. Allen, RPA, are preparing material for a resolution relating to the Committee for Political Defense ⁹¹ (see memorandum of January 5 ⁹² from Mr. Sanders).

FINANCIAL AND MONETARY MATTERS

Mr. Collado will have drafted the following four resolutions on monetary and other related subjects.

"1. Modification of Resolution V of the Third Meeting of Ministers of Foreign Affairs at Rio de Janeiro, 1942 ⁹³ (resolution already drafted).

⁸⁹ The officers included in this list are identified as follows: Bernard F. Haley, Director, Office of Economic Affairs; Gerald Smith, Assistant Chief, Division of Commercial Policy; Wayne G. Jackson, Deputy Director and Charles P. Taft, Director, Office of Wartime Economic Affairs; Carl B. Spaeth, Chief of the Division of River Plate Affairs, and William Sanders and Henry E. Allen of that Division; Emilio G. Collado, Chief, Division of Financial and Monetary Affairs; Thomas C. Mann, Assistant Chief, Division of World Trade Intelligence; L. James Falck, Assistant Chief, and Jesse E. Saugstad, Chief, Shipping Division; Stokeley W. Morgan, Chief, Aviation Division; Francis C. de Wolf, Chief, Telecommunications Division; Albert E. Clattenburg, Assistant Chief, Special War Problems Division; Fletcher Warren, executive assistant to the Assistant Secretary of State; Jack D. Neal, Assistant Chief, Division of Foreign Activity Correlation.

⁹⁰ Marcia V. N. Maylott, Division of International Security and Organization.
⁹¹ For documentation on the Emergency Advisory Committee for Political Defense, meeting at Montevideo, see *Foreign Relations*, 1944, vol. VII, pp. 1 ff.

⁹² Not printed.

⁹³ This resolution concerned the severance of commercial and financial ties with the Axis. For text, see Department of State *Bulletin*, February 7, 1942, p. 124. For documentation, see *Foreign Relations*, 1942, vol. V, pp. 6 ff.

"2. Endorsement of Bretton Woods Resolution VI,⁹⁴ United Nations Declaration of January 5, 1943,⁹⁵ and Gold Policy Statements of February 22, 1944⁹⁶ (already drafted). This resolution is the so-called *SAFEHAVEN* declaration against giving refuge in the American Republics for financial assets of enemy countries.

"3. Relation of American economic organization to the Dumbarton Oaks proposals⁹⁷ (Mr. John Leddy, CP, is now drafting this resolution).

"4. Continued economic collaboration in prosecution of the war (proposed resolution not yet worked out). This resolution is a sort of cover-all for resolutions 2, 3 and 4 of the Rio de Janeiro Conference of 1942."

Mr. Collado also has in mind the preparation of some sort of broad outlined declaration to cover Item B of Point 3 of our suggested agenda for the Conference which he hopes might also include the viewpoints on general economic questions of the other Latin American Republics.⁹⁸

WAR TRADE INTELLIGENCE MATTERS

Mr. Thomas Mann, WT, informed me that a study will be made in WT Division and that he will endeavor to submit by January 8 a memorandum setting forth the material that has been worked up and including any suggestions, proposals or resolutions which that Division may wish brought up at the Conference.

ECONOMIC MATTERS

Mr. Jackson informed [me] that he has in mind proposing the following resolutions for the Conference the drafting of which will be undertaken after further discussion with the other members of WEA.

1. Clarification of the policy on supply between the American Republics. This resolution relates to our supplying of materials, services and goods to the other American Republics and would modify the commitments made by this Government at the Rio de Janeiro Conference in 1942.⁹⁹

⁹⁴ Resolution VI related to enemy loot, flight of Axis capital etc. For text, see Department of State, *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944* (Washington, 1948), vol. I, p. 939. For documentation, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

⁹⁵ This declaration warned against acts of dispossession committed by the Axis nations in territories under their control. For text, see Department of State *Bulletin*, January 9, 1943, p. 21. For documentation, see *Foreign Relations*, 1943, vol. I, pp. 439 ff.

⁹⁶ 9 *Federal Register* 2096.

⁹⁷ See particularly section C of chapter VIII and chapter IX of the proposals and the documentation of the discussions of the proposals, *Foreign Relations*, 1944, vol. I, pp. 898, and 924 ff.

⁹⁸ See circular telegram of January 5, p. 1.

⁹⁹ Recommendations 2, 3, and 16; Department of State *Bulletin*, February 7, 1942, pp. 119-122, 127-128, respectively.

2. Clarification of the programs of procurement between the American Republics. This resolution relates to our policy of procuring raw materials and other supplies from the other American Republics and would modify our commitments made at the Rio de Janeiro Conference.

3. Statement of policy regarding the use of protective trade controls and import tariffs. This would relate to excessive import tariffs imposed by various American Republics of a nature designed to protect war created industries in these countries.

4. Statement of policy regarding exclusive measures against the establishment of new commercial, financial and industrial activities of non-nationals.

Mr. Jackson also advised that he would make further study of the outline proposals contained in the memorandum of November 7¹ with a view to submitting further suggestions or resolutions. He will submit a memorandum to Mr. Cabot by January 8. See also memorandum of January 1, 1945¹ to Mr. Haley, ECA, from Mr. Jackson, WEA.

The working committee of CP under the chairmanship of Mr. Gerald Smith has already made some studies with respect to the holding of the forthcoming Conference. By memorandum dated December 6 prepared by this Committee there was drawn up a list of ten or more points on various economic matters which it was thought the other American Republics would bring up at the Conference. Material is being prepared to set forth our views and position to meet these points. On January 5 Mr. Haley instructed Mr. Smith to undertake, together with the Committee, to resolve Items A and B of Point 3 into detailed subjects and thereafter to begin preparation of such material and resolutions as may seem called for.

Shipping. No suggestions or resolutions have been prepared or are contemplated regarding shipping matters but Mr. Falck stated that this matter would be again reviewed in the light of policy decisions as to the subjects to be included in the agenda of the Conference.

Aviation. In view of the shortness of time between the holding of the International Civil Aviation Conference² at Chicago last autumn and the present proposed Conference, Mr. Morgan stated that he felt there would be no need for further discussions of this subject at the forthcoming Conference. He added, however, that it may appear advisable at the last moment that, provided the United States Government ratifies the Acts of the Aviation Conference before the holding of this Conference, a resolution be offered confirming the desire of all the American Republics to adopt the principles enunciated in those Acts.

¹ Not printed.

² For documentation on this Conference, see *Foreign Relations*, 1944, vol. II, pp. 355 ff.

Communication. Mr. de Wolf advised that in accordance with the memorandum of November 7 he had already, by a memorandum addressed to Mr. Cabot and Miss Maylott, submitted two resolutions: Resolution regarding the Third Inter-American Radio Conference and Resolution regarding Inter-American Telecommunications Union.

RELATIONS WITH ARGENTINA

Mr. Ward Allen, RPA, advised that he proposes to prepare in the form of documents for members of the American Delegation the following papers:

1. Summary of our views of the Argentine case.
2. Complete detailed brief on the Argentine case.
3. Documentary evidence in support of this brief.

Mr. Allen stated that he hoped to discuss this matter with Mr. Lockwood³ in the next day or so with a view to obtaining Mr. Lockwood's approval of setting up an *ad hoc* committee to prepare and coordinate all the material on the subject.

N.B. It will be observed that no mention is made in this memorandum of subjects that would fall under Point 2 of the suggested agenda or strictly military considerations under Point 1. It is assumed that the newly created coordinating Committee of War, Navy and State Departments will deal with the latter. It is also pointed out that no mention is made in the memorandum of the relationship of Pan American Union with the forthcoming Conference. It is further observed that I undertook no discussions with officers of the other political divisions of the Department to inquire of any suggestions they might have for the correlation of the proposed agenda with our policy concerning other areas of the world. I assume that this would be a matter to be handled by the working group.

710 Conference W and PW/1-845

*Memorandum by the Assistant Chief, Division of Commercial Policy (Smith) and Mr. Wayne G. Jackson, Office of Wartime Economic Affairs*⁴

[WASHINGTON,] January 8, 1945.

There are set forth below the economic questions on which ECA and WEA believe that this Government might take the initiative at the proposed Conference in Mexico City. These would fit within the broad scope of item III of the agenda included in the circular

³ John E. Lockwood, Deputy Director, Office of American Republic Affairs.

⁴ Addressed to the Assistant Secretaries of State Clayton and Rockefeller.

telegram which was sent on January 5⁵ to certain of our missions in the other American republics.*

III. *Consideration of the economic and social problems of the Americas.*

A. *War and transitional economic cooperation.*

1. *The need for continued Hemisphere cooperation in the winning of the war.* (This would presumably result in a resolution reaffirming, strengthening and where necessary modifying the ideas set forth in certain of the resolutions of the Rio Meeting and as a general consideration would emphasize that the war is far from won. Specific questions under this would include those mentioned in the subheads below.)

a. *The procurement of materials to win the war.* At the Rio Meeting this Government made certain commitments and statements with regard to our procurement program which were primarily designed to encourage production and increase the amount of needed materials. We have already cut back certain procurement programs and with the end of the war in Europe will cut back others. This is a matter of concern to various American republics already. A statement of our future intentions is therefore needed, particularly to make it clear that the end of the war will bring further procurement cut-backs. There must be co-operation in curtailment, just as there was in increased production; in other words, while we will in making our decisions keep seriously in mind the effects of cut-backs, the producing countries must be prepared to play their part in cushioning the shock.

b. *Supply of goods remaining in short supply.* The United States, since before the Rio Conference, has been committed to a supply policy for Latin America based on what is commonly called the "parity principle". Since that time the liberated areas have come in as substantial claimants on United States supplies and we have made commitments to fill these requirements. Furthermore, when the European war is finished there will presumably be a substantial adjustment in our whole allocation system and we are also moving toward a diminution of export controls. Accordingly, the Rio commitments (Resolution III) should be restated so as to take care of changed circumstances both present and future. Otherwise, we shall find ourselves in the position of still having commitments made in January 1942 which are properly no longer applicable.

c. *The settlement of problems arising from the severance of economic relations with aggressor nations.* This question should result in the adoption of a resolution calling for relaxation or modification of the financial and economic controls established in accordance with Resolution V of the Rio Conference, so far as the liberated areas and such ex-enemy areas as liberated Italy are

⁵ *Ante*, p. 1.

*The question of international economic organization, not mentioned in this memorandum, would presumably be discussed under the Economic and Social Council part of the Dumbarton Oaks proposals. [Footnote in the original.]

concerned: for consultation on technical aspects of such relaxation or modification; and for use of these controls to prevent flight of Axis capital, realization on loot, and concealment of Axis investment. It should also include a request that the Ministers approve various United Nations Declarations—the one on property transfers under Axis compulsion, of January 5, 1943; the gold declaration of February 22, 1944; and Bretton Woods Resolution VI.

d. The elimination of wartime trade controls. At the same time that this Government, in line with its established policy of reducing barriers to trade and keeping trade to the greatest possible extent in the hands of private enterprise, has been eliminating wartime trade controls, a marked trend has been developing in a number of important Latin American countries to make wartime trade controls a permanent thing or to institute new controls at the present time when, as far as war purposes are concerned, the trend should be in the opposite direction. It is believed that this Government should take advantage of its bargaining position with respect to procurement and supply questions to obtain some commitment from the other American republics for as rapid as possible a relaxation of war trade controls, and against the imposition of new controls pending opportunity for a full discussion on both an inter-American and international basis of long-range trade policies.

B. Consideration of methods of further cooperation for the improvement of economic and social conditions of the peoples of the Americas, with the end of raising the general standards of living. (If ECA-WEA are to be requested to prepare material or draft resolutions on this part of the agenda, it would be helpful to have rather definite ideas as to the approach which the Department believes should be taken.

In addition to the foregoing questions, there are a number of topics which various Latin American governments will undoubtedly wish to have discussed at the Conference. These include such matters as the United States cotton and wheat subsidy programs; synthetic versus natural products; ceiling prices on coffee, et cetera; and increased shipping services. The United States clearly would not wish to take the initiative on such questions. However, extensive policy background material has been prepared on these questions and others, as well as upon the topics mentioned at the beginning of this memorandum, which will provide the basis on one hand for a defensive position on those questions which the Latin American governments may bring up, and on the other the essential background for the drafting of resolutions on those topics on which this Government may wish to take the initiative.

As to the actual drafting of resolutions, the Departmental group from ECA-WEA-ARA-TRC which has been working thus far, or

individuals therefrom, can be utilized. There should also be inter-Departmental clearance through a Committee already established under the Executive Committee on Economic Foreign Policy.

710 Conference (W and PW)/1-2445

Memorandum of Department Policy Committee Meeting Preparatory to the Inter-American Conference on Problems of War and Peace

[WASHINGTON,] January 12, 1945.

POLICY MEETING, JANUARY 12, 1945—ACTION ON AGENDA

Points raised in connection with proposed agenda for the coming "The Inter-American Conference on War and Peace", to be held in Mexico City commencing February 15, 1945, developed at meeting attended by Assistant Secretary Rockefeller, Ambassador Berle, Ambassador Warren, Messrs. Lockwood, McClintock, Munro, Kelchner, Sanders and Bonsal,⁶ held January 12, 1945:

(The topics given below are taken from the previous suggested agenda which was communicated by the U. S. Government to the Governments of the other participating republics.)

I. *Further Cooperative Measures for the Prosecution of the War to Complete Victory.*

This topic was left open for discussion at a subsequent meeting. It was felt that care should be taken not to become involved in further wartime restrictions which are only half enforced. It was also agreed that neither military nor manpower problems should be included.

II. *Consideration of Problems of International Organization for Peace and Security.*

A. *World Organization*

This part of the agenda would involve an exposition of Dumbarton Oaks to be handled by the Secretary.

B. *The Further Development of the Inter-American System, and Its Relation to World Organization.*

⁶ Adolf A. Berle, Ambassador to Brazil; Avra M. Warren, Director, Office of American Republic Affairs; John C. McClintock, Special Assistant to the Assistant Secretary of State for American Republic Affairs; Dana Munro, Special Adviser to the Assistant Secretary of State for American Republic Affairs; Warren Kelchner, Chief, Division of International Conferences; Dudley B. Bonsal, Special Assistant to the Assistant Secretary of State for American Republic Affairs.

Dr. Berle proposed the following draft resolution as the first resolution under this topic:

1. *Atlantic Charter*⁷

The Foreign Ministers of the American republics, cooperating in the defense of the Hemisphere in the present World War.

Considering that the necessity is evident of establishing a world-wide organization for the maintenance and enforcement of peace;

Being convinced that the maintenance of peace requires not merely organization and power, but also a common base of aims and policy which may be the foundation of the further development of international law;

Taking into account that under the Declaration by United Nations⁸ many of the American Republics have already signified their agreement to the Atlantic Charter as a statement of the principles which should govern the making of a permanent peace and the relationship of nations thereunder;

DECLARE:

That they and all of them affirm as American policy the Atlantic Charter, which reads as follows: [Here follows text of the Atlantic Charter.]

That they undertake the responsibility for putting into effect so far as may be practicable and continuing to work towards the realization of the principles embodied in the foregoing Charter within the Western Hemisphere;

That they advocate and will strive for the implementation of those principles in post-war settlements and through their representation in any world organization for security in areas outside the Western Hemisphere, considering these principles as a necessary guide to the functioning of an effective world organization for the maintenance of peace.

Dr. Berle elaborated on the foregoing resolution urging that the Inter-American System follow the precepts of the Atlantic Charter in peace as well as in war and that the American republics should assume the responsibility of putting its provisions into effect in the Hemisphere. He also suggested that the American republics should urge the adoption of the principles of the Charter outside the Hemisphere.

As the second resolution under this topic, Dr. Berle proposed the following:

2. *Relation of Inter-American System to World Security Organization.*

The Foreign Ministers of the American Republics, cooperating in the defense of the Hemisphere in the present World War;

⁷ Joint statement by President Roosevelt and British Prime Minister Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.

⁸ Signed January 1, 1942; for text, see *Foreign Relations*, 1942, vol. I, p. 25.

Having considered the project of an agreement for world organization drafted at Dumbarton Oaks by representatives of the United States, Great Britain, the Soviet Union, and China;

Believing that the interests of the American continent are served by forwarding the objectives of the said project;

Believing also, however, that the primary responsibility for maintaining peace and security in the American continent must always rest upon the American nations;

DECLARE:

That the world organization contemplated by the Dumbarton Oaks project should not take action in respect of any matter upon the American continent, except:

(a) Where it is requested so to do by a consultation of the American nations;

(b) Where the proposed world organization shall have requested the American nations to take effective action for the maintenance of peace and such effective action shall not have been taken;

(c) Where a condition of affairs shall have arisen in the American continent which threatens the peace and security of nations outside that continent.

Dr. Berle will furnish documentation with regard to the basis for the foregoing resolution.

As the third resolution under this topic, Dr. Berle proposed the following:

3. Consultation on Postwar Settlements

The Foreign Ministers of the American Republics, cooperating in the defense of the Hemisphere in the present World War.

Taking into account the community of interest of the American nations in the political and economic decisions affecting or looking toward postwar settlements, whether taken through the medium of action by the principal Allies, or through the medium of a world organization,

RESOLVE:

That before entering into any agreement relating to postwar settlements, they will consult each other and endeavor by means of such consultation to arrive at a common and solidary view, will support and represent such view in dealing with matters looking toward postwar settlements arising thereunder.

Such consultation may take place through meetings of Foreign Ministers for the purpose of consultation, or through diplomatic channels as may be most convenient.

Dr. Berle explained the underlying thoughts behind this resolution.

4. *Boundaries*

There followed a discussion of the advisability of a resolution with regard to the borders of the American Republics. In this connection, it was brought out that there were a number of existing border questions unsettled, including the so-called Chamizal question between the U. S. and Mexico.⁹ Others mentioned were the Ecuador-Peru boundary¹⁰ and the various Bolivian boundary questions. Dr. Berle favored including such a resolution if it were found practicable, and it was agreed that as a preliminary, some basis would have to be worked out to resolve the Chamizal question. Dr. Sanders suggested the possibility that existing boundary questions would be settled bilaterally and the settlements guaranteed by a proposed general resolution.

5. *Annual Consultations*

Suggestion was made that a resolution be included to provide for annual consultations between the American republics under the auspices of the Pan American Union. There was general agreement as to the desirability of such a resolution. The following draft resolution prepared by Dr. Berle was considered:

The Foreign Ministers of the American Republics, cooperating in the defense of the Hemisphere in the present World War,

Considering that the practice of consultation between the Foreign Ministers of the American Republics is now the established means by which they exchange ideas and arrive at concerted action [action?] in matters of mutual interest;

Considering that there is an increased need of common policy and action in dealing with world problems arising out of the present war and postwar settlements, as well as of an increased community of action in respect of problems arising within the Hemisphere;

RESOLVE:

That consultations between them should take place regularly in February of each year, without prejudice to the right of any American republic to request special consultations at other times, and that at each regular consultative meeting the place of the next regular consultative meeting should be fixed;

FURTHER RESOLVE:

That the next regular meeting of Foreign Ministers for the purpose of consultation should take place in February 1946 at

6. *Doctrine of Recognition*

Discussion was had as to the desirability of a resolution under this title affirming the so-called "Estrada" doctrine.¹¹ It was agreed that further consideration would be given to such a resolution following a study of the background of this doctrine; also of effect of such a resolu-

⁹ See *Foreign Relations*, 1933, vol. v, bracketed note on p. 823.

¹⁰ See bracketed note, p. 365.

¹¹ Doctrine concerning recognition set forth by the Mexican Minister for Foreign Affairs, Genaro Estrada, in 1930; see Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

tion on existing situations such as Argentina and Mexico's Salvador policy. It was brought out that such a resolution might be instrumental in resolving the question of the recognition of the U.S.S.R. and certain of the other American republics.

7. *Continuation of Certain Inter-American Bodies*

Mr. Rockefeller suggested for discussion the inclusion of a resolution providing for the continuance of certain inter-American bodies such as IFEAC, IADC,¹² Inter-American Defense Board, and Inter-American Juridical Committee. It was pointed out that this would be further confirmation of the Pan American Union concept.

8. *Suggestions for Strengthening the Pan-American Union Structure*

III. *Consideration of the Economic and Social Problems of the Americas.*

A. *War and Transitional Economic Cooperation.*

Dr. Berle proposed the following three subjects for discussion with respect to which resolutions might be worked out for inclusion under this topic:

1. Provision for the financing of coffee, sugar and other products produced in the other American republics for rehabilitation of Europe. Dr. Berle pointed out that Canada would be a very important factor in such an arrangement and this matter should be discussed with Canada prior to the meeting.

2. Making available surplus war property to other American republics where useful to their economic development. Particular reference was made to types of Hudson houses which would only have a junk value in the United States after the war but would be extremely useful in more backward countries. Such property could be useful in implementing existing programs in the fields of health and sanitation and food supply.

3. Price control resolution designed to increase economic cooperation through the control of extravagant prices. There was general agreement that this topic would be a very difficult one to raise at the Conference.

B. *Consideration of Methods of Further Cooperation for the Improvement of Economic and Social Conditions of the Peoples of the Americas with the End of Raising Their General Standard of Living.*

Reserved for discussion at a later meeting.

IV. *Other Matters of General and Immediate Concern to the Participating Governments.*

It was pointed out that in Dr. Padilla's¹³ invitation dated January tenth,¹⁴ the Fourth item of the Agenda is the consideration of the

¹² Inter-American Financial and Economic Advisory Committee and the Inter-American Development Commission.

¹³ Ezequiel Padilla, Mexican Minister for Foreign Affairs.

¹⁴ *Ante*, p. 3.

resolution adopted by the Governing Board of the Pan American Union, regarding the request of the Argentine Government.

With respect to this matter, there was agreement on the necessity of handling this part of the Agenda in the way which would most effectively reach the Argentine people. It was also determined to discuss this item in further detail at subsequent meetings.

710 Conference (W & PW)/1-2945

Memorandum of Department Policy Committee Meeting Preparatory to the Inter-American Conference on Problems of War and Peace

[WASHINGTON,] January 16, 1945.

Memorandum of action taken at Policy Committee meeting held January 16, 1945, at which were present Assistant Secretary Rockefeller, Ambassador Warren, Messrs. McClintock, Cabot, Sanders, Dreier,¹⁵ and Bonsal.

(Numbers correspond to those used in agenda for meeting.)

I. Further Cooperative Measures for the Prosecution of the War to Complete Victory.

Mr. Rockefeller suggested that an analysis of the Rio resolutions be made to determine which of these should be reaffirmed, extended or modified at the coming meeting. The matters of subversive activities, Axis property, etc. were discussed. Dr. Sanders presented a resolution and commentary for the continuation of the Committee for Political Defense. It was also agreed that the Federal Bureau of Investigation should be approached for suggestions as to any recommendations which they might have for a resolution.

It was agreed that Dr. Sanders would work on this part of the agenda with Dr. Berle and that he would make an analysis of the Rio resolutions and make the necessary contact with the Federal Bureau of Investigation.

Matters relating to recognition of (1) principal enemy governments, (2) enemy satellites, (3) liberated areas, and (4) principal Allied governments, and matters pertaining to the interests of the American republics in enemy occupied territory were referred to the political subcommittee. (It was agreed that this Government would make no suggestions with regard to the recognition of any principal Allied powers not presently recognized by some of the other American republics.) Later decision should be made as to whether these topics should come under item I or IV of the agenda.

¹⁵ John C. Dreier, Chief, Division of American Republics Analysis and Liaison.

It was determined that consideration should be given to port security and Mr. Bonsal was asked to check this matter and report at a later meeting.

II. *Consideration of Problems of International Organization for Peace and Security.*

A. *World Organization.*

No action taken.

B. *The Further Development of the Inter-American System, and Its Relation to World Organization.*

It was agreed that Mr. Rockefeller should handle this part of the agenda at the Conference. Dr. Sanders will prepare background material for Mr. Rockefeller's use in this connection. It was agreed that a resolution should be suggested providing for a preparatory body which would present to an international conference of American states a formal project to strengthen the Inter-American System. The resolution could also make recommendations for action at the later meeting but would not include any agreement as to basic principles.

Names of certain people outside of Government who would be helpful on this part of the agenda were then suggested, including Leon Pearson, Virginia Prewett, Walter Lippmann, Professors Herring, Murdock, Bemis, Borchard, Inman, Whitaker, Dickerson and Msgr. Ready.

Formation of Political Work Group. Mr. Rockefeller reported that Mr. Duggan¹⁶ would be unable to take the chairmanship of the political work group that he would assist it in its labors. It was therefore agreed that Ambassador Warren would be chairman of this work and that the membership would be determined by him at a meeting later today. It was felt that the political work group should obtain the advice and assistance of prominent outside figures in the inter-American field.

Mr. Rockefeller requested that a chart be prepared of inter-American organizations as they exist today. Dr. Sanders stated that there was one in existence which he would make available. A further chart will be prepared if necessary by CIAA¹⁷ chart room with data furnished by Dr. Sanders.

In connection with the suggested boundary resolution, Mr. Dreier will furnish a memorandum giving a brief summary of all existing boundary questions.

It was agreed that the action taken under this heading of the agenda should be without reference to the projected technical conference and

¹⁶ Laurence Duggan, Assistant Diplomatic Adviser to UNRRA and former Director of the Office of American Republic Affairs.

¹⁷ Coordinator of Inter-American Affairs.

that the principles to be followed would be (1) nothing should be done which is inconsistent with the principles of Dumbarton Oaks, and (2) every appropriate action should be taken to protect the Inter-American System.

710 Conference (W-PW)/1-2545

Memorandum by Mr. William Sanders, a Technical Officer of the Delegation, to the Ambassador in Mexico (Messersmith)

MEXICO, D.F., January 23, 1945.

The points covered by the present memorandum relate to the following:

- A. Instructions received by Messrs. Bohan¹⁸ and Sanders.
- B. Agenda of the Conference.
- C. Possible resolutions and general objectives of the United States delegation.
- D. Other matters.

A. INSTRUCTIONS

Messrs. Bohan and Sanders have been instructed to undertake conversations, should you deem it advisable, with the Mexican officials on the agenda of the Conference. These discussions should be confined to exploratory talks giving the trend of the present thinking in the Department, including the general nature of the resolutions which the Government of the United States hopes to see adopted at the Conference, insofar as they can be determined at the present time. It is hoped that a similar expression of preliminary views can be obtained from the Mexican officials. It is important not to give the impression that thinking in the Department has crystallized. If a tendency is perceived on the part of the Mexican officials to go beyond a purely preliminary and tentative exchange of views, Messrs. Bohan and Sanders are instructed to return to Washington.¹⁹

Mr. Sanders has been instructed to avoid any reference to matters which might come under topic IV of the tentative agenda. However, should Sr. Padilla press for information on the United States attitude on the Argentine request, the view may be expressed that the United States delegation will be prepared to go into the matter at the Conference should the other republics so desire.

¹⁸ Merwin L. Bohan, Foreign Service Officer; a Technical Officer of the U. S. Delegation at the Conference.

¹⁹ A marginal note in the original reads: "The Ambassador is positive there will be no difficulty on this score."

B. AGENDA

The attached suggested agenda, with a breakdown of the general items in terms of possible resolution topics and broad objectives, was initialed by President Roosevelt on January 18, 1945.²¹

The only difference between the general items of this suggested agenda and those proposed by the Mexican Government is in IV. Mr. Rockefeller's views on this subject have been communicated to you.

C. POSSIBLE RESOLUTIONS AND GENERAL OBJECTIVES

General

The United States delegation will not sign agreements in the nature of treaties at the Conference.

No final decision has yet been reached on whether the conclusions of the Conference should take the form of statements, declarations or resolutions.²² However, the discussions in the Policy Committee and the preliminary draft projects prepared to date indicate that there will perhaps be two types of documents, probably in the form of resolutions, containing:

1. Tentative conclusions for further study by the Governments and/or existing or specially created agencies and for final decision by a regular Pan American conference, held after the general United Nations meeting.²³ These conclusions may contain certain broad principles or directives to guide and orient the studies. The problems in the political field, particularly under topic II of the agenda, will probably require this treatment, because (a) we are committed to the other major powers not to *negotiate* now with other governments concerning the Dumbarton Oaks proposals and (b) because it appears desirable to suspend decision on basic changes in the inter-American system until a regular Pan American conference in which all the republics are represented.

2. Agreement on certain general principles or specific measures susceptible of immediate unilateral, bilateral or collective application. Problems under topic I of the agenda would lend themselves to this treatment.

For the convenience of the United States delegation, it has been proposed that all resolutions be preceded by an introduction giving (a) nature of resolution, (b) objective and (c) position to be taken by the United States.

²¹ See p. 10.

²² A marginal note in the original reads: "Dr. Padilla has inquired several times re this."

²³ United Nations Conference on International Organization held at San Francisco, April 25-June 26, 1945. For documentation, see vol. I, pp. 1 ff.

Specific

It is expected that during the course of this week basic policy and procedural decisions will be reached in the Department on some or all of the following:

Topic I. (Further Cooperative Measures for the Prosecution of the War to Complete Victory.)

1. *Atlantic Charter.* There is general agreement that a resolution affirming the Atlantic Charter should be adopted and that this document should become known as the "Declaration of Mexico City."²⁴ There is some thought that perhaps the provisions of the Charter with respect to assuring social and economic welfare to the individual should be spelled out.

2. *Diplomatic Relations with Non-American Countries.*

a. With Germany and Japan: there should be a resolution reaffirming paragraph IV of Resolution I of Rio and calling for solidary inter-American action.

b. With Axis satellite states: there should be a resolution reaffirming the principle of exchange of information.

c. With Governments of liberated areas: there should be a resolution expressing a common purpose on the part of the American Republics and enunciating the principle of exchange of information.

d. With other non-American powers: this problem will not be raised by the American delegation. The United States will continue its present policy of giving sympathetic consideration to any requests received from the American Republics for assistance in establishing relations with such other non-American Governments, as in the case of Chile and Russia.²⁵

3. *Protection of interests in enemy countries.* It has been agreed that the principle of exchange of pertinent information and consultation among the interested republics should be accepted, in conjunction with the principle that as amongst American Republics having interests in enemy countries there should be no discriminatory treatment in the protection of those interests.

4. *Honorary diplomatic and consular representation.* The possibility of a resolution recommending against this practice for the duration of the emergency and in the transition period has been discussed, but the desirability of such a resolution is questioned.²⁶

5. *Political defense.* A draft resolution has been prepared recommending that the American Republics continue to take defensive action

²⁴ A marginal note in the original reads: "The Ambassador believes Padilla will like this."

²⁵ For documentation on relations of the American Republics with the Soviet Union, see pp. 223 ff.

²⁶ A marginal notation on the original reads: "The Ambassador agrees not desirable."

against Axis political aggression and that they take additional steps to prevent the infiltration of Axis ideas, money and personnel into the American Republics after the end of hostilities. The resolution provides for the continuation of the Committee for Political Defense at Montevideo, to advise the governments on the steps that should be taken to implement the above suggestions.

6. *Military defense.* The desirability of a resolution on the continuance of military cooperation, with possible modifications of existing arrangements, has been suggested.²⁷ However, a general impression exists in the Policy Committee that it might be desirable for the Conference to keep away from strictly military matters.

Topic II. (Consideration of Problems of International Organization for Peace and Security.)

1. *World organization.*²⁸ The present thought is that the Conference deliberations on this subject should not go beyond an exposition of the Dumbarton Oaks proposals, perhaps by the Secretary of State, and informal discussions of the proposals. The possibility has been suggested, however, that a resolution might be adopted expressing in general terms the intention of the American Republics to support and take part in the establishment of a general international organization with adequate powers to maintain peace and security.

2. *The further development of the inter-American system and its relation to world organization.* Since the Dumbarton Oaks proposals are still the subject of negotiations between the major powers and since the Mexico City Conference is not a regular Pan American gathering, the conclusion has been reached that there should be no final agreement on this subject and that tentative conclusions for further study should be adopted. These conclusions might incorporate certain principles or directives to guide the studies, including:

a. Possibility of more frequent meetings of the general Pan American conferences;

b. Informal annual meeting of Foreign Ministers and creation of a permanent political agency to function in the interval between meetings, or provision for some special arrangement to serve the same purposes;

c. More frequent special or technical conferences and greater coordination and integration in this field;

d. Granting of additional powers and functions to the Pan American Union; and

e. Improvement and coordination of existing instrumentalities of pacific settlement and of codification of international law.

²⁷ A marginal notation on the original reads: "The Ambassador believes a general resolution desirable to buttress staff conversations."

²⁸ A marginal reference on the original reads: "See my letter today's date to D. B." Letter from Mr. Sanders to Mr. Bonsal, January 23, 1945, not printed.

Other subjects being considered under this heading include:

- a. Promotion of the solution of economic, social and other humanitarian problems;
- b. Universal validity and applicability of inter-American objectives and principles; and
- c. Relationship of inter-American economic, social and other agencies with specialized international agencies.

Topic III. (Consideration of the Economic and Social Problems of the Americas.)

Mr. Bohan is preparing a memorandum on this topic.

Topic IV. (Other Matters of General and Immediate Concern to the Participating Governments.)

Problems which may be raised under this topic at the Conference but which will not be discussed with the Mexican officials during the present exploratory conversations include the following:

1. *Resolution of the Pan American Union on the Argentine request.* (See "Instructions" above.)

2. *Recognition of governments in exile.* While the United States will not introduce a resolution on recognition of governments in exile, it will support such a resolution if submitted by other delegations.

3. *Recognition of de facto governments.* If a resolution on recognition is introduced at the Conference, the United States delegation will not oppose it, but will suggest that it be referred to an interim group for study and presentation at a subsequent Pan American conference.

4. *Admission of Canada into the inter-American system.* The Governments of the United States and Canada have an informal agreement not to raise this question until after the war.

5. *Guarantee of boundaries.* It has been suggested that the Conference adopt a resolution incorporating a mutual guarantee of national boundaries, without prejudice to a satisfactory settlement of existing boundary disputes. A draft is now being prepared.

D. OTHER MATTERS

United States delegation

The composition of the United States delegation has not yet been determined, aside from the decision that the Secretary will be the delegate and Mr. Rockefeller the alternate.

Mr. Rockefeller will ascertain if the Senate and House Foreign Affairs Committees desire to send representatives to the Conference as advisors or observers.

It has been agreed as a principle that no agencies as such will be asked to send representatives to the Conference, but that personnel from other departments will be invited to act as advisors in matters coming within their special fields.

The following names from other government agencies have been suggested:

Cox, Bell and Easby	Foreign Economic Administration
Edward Browning, Jr. . . .	War Production Board
Harry White	Treasury Department
Warren Pierson	Export-Import Bank
Wayne C. Taylor	Department of Commerce
Leslie Wheeler	Department of Agriculture
Messrs. Conway or Morse . .	War Shipping Administration
[blank]	Department of Interior
Winthrop Southworth . . .	Bureau of Budget
General Strong	War Department
Admiral Train	Navy Department

The possibility of adding advisers from the Department of Justice and the Public Roads Administration, if that should appear necessary, is being considered as also from non-governmental organizations, such as:

Labor: Messrs. Watt, Carey, and Luhrsens.
 Business: Messrs. Minor, Burgess, and Spradling.
 Women's Groups: Important person in the National League of Women Voters or Katharine Lenroot.
 Others: Mayor LaGuardia.
 Bishop O'Hara ²⁹

Mr. Rockefeller wishes reservations for himself and five other members of the delegation in the hotel where the other delegations stay.
 W. S[ANDERS]

710 Conference (W and PW)/1-2945

Memorandum of Department Policy Committee Meeting Preparatory to the Inter-American Conference on Problems of War and Peace

[WASHINGTON,] January 25, 1945.

Memorandum of action taken at Policy Committee meeting held January 25, 1945, 5:00 P.M., at which were present Assistant Secretary Rockefeller, Messrs. Warren, Lockwood, Munro, Kelchner, Dreier, Frantz,³⁰ Notter,³¹ Cabot, Johnston, and Bonsal. Also present was Under Secretary of Commerce Wayne C. Taylor.

Mr. Cabot presented to the meeting a resolution on the strengthening and improvement of the Inter-American System which had been previously approved by the Political Work Group. This resolution was discussed at length. In the course of the discussion, Mr. Rockefeller

²⁹ A notation on the original reads: "Ambassador seriously questions wisdom of including in view of religious question here."

³⁰ Harry W. Frantz, a technical officer of the delegation to Mexico City.

³¹ Harley A. Notter, Chief, Division of International Security and Organization.

referred to the memorandum previously prepared in the Department (WG 4),³² stating that it was most interesting and provocative and should be used as a basic working document in considering the pending resolution.

The discussion brought out that Mr. Rockefeller and other members of the Policy Committee felt that the resolution as prepared was too much like resolutions adopted at previous inter-American meetings and was not sufficiently specific in making recommendations for the strengthening of the Inter-American System. Mr. Rockefeller expressed the view that the resolution should make specific recommendations for the strengthening of the System rather than merely a declaration of intention to be followed by study in the Pan American Union.

Mr. Notter discussed at length the possible effect of what might be done in Mexico City on the Dumbarton Oaks negotiations, and it was agreed that nothing should be done at Mexico City that would compromise the position of the United States in its negotiations for a World Organization, but at the same time the United States at Mexico City should give tangible proof of its desire to strengthen the Inter-American System.

Mr. Rockefeller stated that he thought there were three major objectives to be accomplished at Mexico City: (1) appropriate economic resolutions to reassure the other American republics as to their economic security; (2) guaranty of boundaries; and (3) tangible proof that the United States favors strengthening the Inter-American System.

Mr. Taylor advised again [*against?*] "declarations of intention" at Mexico City.

At the conclusion of the meeting, it was agreed that a meeting would be held the following day to consider what specific recommendations could be included in the proposed resolution and that for this purpose the memorandum WG 4 would be considered item by item. Mr. Rockefeller also proposed that the questions propounded in WG 4 be reviewed with a view to preparing a memorandum of questions which could be furnished the Ambassadors of the other American republics.

³² Not printed.

710 Conference (W-PW)/1-2745

Mr. Merwin L. Bohan, a Technical Officer of the Delegation, to Mr. John McClintock, Special Assistant to the Assistant Secretary of State (Rockefeller)

MEXICO, D.F., January 27, 1945.

DEAR JOHN: I left Washington with a briefcase full of ideas and little in the way of a general conception of our approach to the economic problems which will arise in the forthcoming conference. I was not satisfied with the extent to which thinking had crystallized in the Department, although fully appreciating the reasons for the situation.

Fortunately, a breathing space has been provided during which Sanders and I have had the benefit of many and helpful conferences with Ambassador Messersmith. Out of those discussions a general pattern has been emerging, and I did not want to delay communicating with you in order to determine if the ideas expressed are in accord with your thinking and that of the Department. You may rest assured that, until definite instructions are received from the Department, the views outlined herein will not be advanced in the discussions with the Mexican Government. Those discussions, which should begin today or tomorrow, will be kept on safe ground in so far as we are concerned, and every effort will be made to obtain as much information from the Mexicans as possible. The foregoing is my understanding of your desires, as well as those of Ambassador Messersmith. The problems, as I see them at this stage, are outlined below:

I. *Responsibility of the United States with respect to the economic well being of the other American republics.* This is the first question which must be answered. It is clear, both for political and commercial reasons, that our minimum responsibility is to cooperate in solving current and future problems affecting the well being of the countries of this hemisphere. It is also clear that we have more than a minimum responsibility in the interim and early post-war periods. We asked for and obtained the help of Latin America in the prosecution of the war—Latin America will ask, and we must give, help in the transition from war to peace. Our war-acquired obligations cannot be fully liquidated by maintaining that the cash we paid for their goods, the sacrifices we made in furnishing them with supplies, and the protection given by our armed forces constitute payment in full. Viewed from a strictly materialistic standpoint perhaps the accounts balance or even leave us with a credit balance. But Latin America, despite the scoffers and cynics, has contributed something more to the common effort than merely material things. It is the latter contribution which places a greater responsibility upon us at this time.

The foregoing still fails to define the extent of that responsibility. How far do you agree with the following:

1. The United States *should not*:
 - a) Assume either the whole or greater part of the responsibility for economic readjustment in the Americas;
 - b) make large non-reimbursable financial contributions for readjustments;
 - c) encourage delays in facing readjustment problems;
 - d) encourage continuation of non-economic production arising from war demands;
 - e) permit Latin America to forget that each country has the primary responsibility for the transition of its economy from war to peace;
 - f) commit itself to any projects which would interfere with the full prosecution of the war (greater exports from U.S. to combat inflation; materials for development projects; lend-lease, et cetera);
 - g) encourage the philosophy of letting the United States, in the role of George, do it.
2. The United States *should*:
 - a) take the leadership in arriving at commodity agreements assuring markets for *essential* exports of Latin America at equitable prices;
 - b) take the leadership in assuring for Latin America an equitable share of the imports of liberated and conquered areas;
 - c) take the leadership in working out cooperative arrangements for the financing of trade with areas mentioned in (b) through International Bank or other international or inter-American means;
 - d) consider the possibility of stockpiling mineral inventories at end of war to permit current demand to be met by current production;
 - e) consider the possibility, in certain cases, of increasing the inventories mentioned in (d) above (plan of William L. Batt³³);
 - f) reaffirm commitment to scale down procurement programs gradually, when necessary in order to provide opportunity for the supplying countries to readjust their economies;
 - g) see that the commitment in (f) becomes part of the operating policies of the emergency agencies and not merely a political policy;
 - h) Export-Import Bank credit for sound development projects which would cushion effects of readjustment.

In summary, the United States would furnish the leadership in a cooperative effort to assure Latin America of at least its pre-war exports of products essential to the economic life of the countries of this hemisphere. The objective would be to provide a floor to prevent the transition period from degenerating into one of economic depression. The program would not postpone inevitable post-war readjustments or free any country of the hemisphere from the responsibility for making such adjustments. It would merely reduce the problem to a point where the individual country could cope with it.

II. *Extent of program suggested in preceding section.* Sufficient data are not available to give you any final conclusions in this regard.

³³ Vice Chairman of the War Production Board.

The information presented herein is based more on assumptions than on facts, and I would appreciate, providing the program has merit in your eyes, that you have a careful study made in Washington to determine the feasibility of the proposals.

By a fortunate coincidence Lew Clark was able to furnish me with certain studies carried out by him while he was with the Bureau of Foreign and Domestic Commerce.³⁴ These cover Latin American exports of 20 commodities during 1938. The commodities in question can be classed as those essential to the economies of the respective countries, while 1938 provides as nearly a "normal" pre-war period as could be found. There is enclosed a table³⁵ showing the volume and value of the exports together with information as to the exporting and importing countries. The full study upon which the table is based can be obtained from George Wythe.³⁶

Commodity agreements. The idea of such agreements is well within the policy of our Government. See Assistant Secretary Acheson's statement on page 661 of the Department of State *Bulletin* for December 3, 1944; Resolution XXV of the Hot Springs Conference;³⁷ and Resolution XXXIII of the Conference of Inter-American Development.³⁸

The number of commodity agreements which would have to be contemplated during 1945 is surprisingly small if my assumptions are correct. It will be necessary for the experts in Washington to go over the list of products in order to determine whether or not the foregoing opinion is correct.

European markets. If each Latin American country attempts, in an uncoordinated manner, to reopen its pre-war markets in Europe, there can be no real progress made in reducing trade barriers in this hemisphere. Such factors as state trading, restrictions on foreign trade, shipping difficulties and financing will again create a mass of bilateral and compensation agreements and our foreign trade, especially with Latin America, will continue to be plagued for years to come. It is certainly to the interest of the United States to cooperate in a program designed to recreate an equitable European market pattern in which Latin America will have an equitable share.

Financing. This will be the main obstacle to the renewal of trade between Latin America and Europe. Unless it is solved, Latin America will be forced to go to the compensation system again. The

³⁴ Department of Commerce.

³⁵ Not printed.

³⁶ American Republics Unit of the Bureau of Foreign and Domestic Commerce.

³⁷ United Nations Conference on Food and Agriculture, May 18-June 3, 1943. For documentation, see *Foreign Relations*, 1943, vol. 1, pp. 820 ff.

³⁸ Conference of business men in finance, industry, and commerce, held in New York, May 9-18, 1944.

International Monetary Fund and the International Bank appear to be ideal instruments to meet the situation, but these projects will probably not become realities in time to meet the need. If this is likely to be true, the Department might wish to give consideration to the possibility of suggesting an emergency inter-American fund utilizing primarily exchange accumulations of Latin American countries. I think that it would not be politically feasible for the Export-Import Bank to handle such financing even on a temporary basis, because of conflicting commercial interests as between the exporters of the United States and those of the affected Latin American countries. The problem is not insurmountable. Financing needs would probably not exceed 200 to 300 million dollars in the first year and thereafter from one-third to one-half that amount for a period of from between two to three years. This, again, is an assumption and is based on a study of 1938 trade. Petroleum and copper were omitted, since private financing would probably meet the needs in these cases. Likewise, Argentina was not included both because of its political position and its ample financial reserves. The emergency fund would be used primarily to finance exports where the producers themselves could not handle the financing. Such a fund would provide the same attack on the causes of trade barriers as the International Monetary Fund and the International Bank.

Stockpiling. The time has come, if the United States wishes to meet inter-American problems in a concrete fashion, to determine policies with respect to inventories held at the end of the war. It seems to me that in the case of minerals there would be every justification for stockpiling. This would permit current production to meet current interim and post-war demands and, in some cases at least, is an essential step if Latin American economies are to be protected.

The other points in the suggested program need no further comment. However, I want to end on the note that nothing proposed herein contemplates the formation of an inter-American trade block. The major objectives of the program constitute a cooperative effort to further international trade. The emergency measures are no more regional in character than the aid we propose to furnish to Europe in connection with the rehabilitation and reconstruction programs.

Sincerely yours,

MERWIN L. BOHAN

710 Conference W-PW/1-2945

Mr. Merwin L. Bohan, a Technical Officer of the Delegation, to Mr. John McClintock, Special Assistant to the Assistant Secretary of State (Rockefeller)

MEXICO, D. F., January 29, 1945.

DEAR JOHN: The Ambassador, Wayne Taylor, Bonsal, Sanders and I have had several discussions relating to the economic phases of the forthcoming conference. An area of agreement has been reached and we hope that it will serve to accelerate a decision in Washington.

We propose that Item III, Consideration of the Economic and Social Problems of the Americas, be broken down into three sections as follows: Wartime, transition, and post-war. Our thoughts with respect to these three sections are summarized below:

A. *Wartime Problems*: Resolutions reaffirming the need for continued Hemisphere cooperation in the winning of the war; amending Resolution V of the Rio Conference relating to problems arising from the liberation of certain countries and the conquest of others; endorsing Bretton Woods Resolution VI, United Nations Declaration of January 5, 1943 and Gold Policy Statements of February 22, 1944; recommending removal of wartime controls as rapidly as conditions permit; reaffirming previous resolutions regarding the maintenance of the internal economies of the American countries.

B. *Transition Problems*: It is in this field, and this field only, where we feel that thinking in Washington has not crystallized. Yet it is this section of the agenda upon which the success or failure of the Conference, both politically and economically, depends. If the United States cannot meet the relatively simple problems presented by economic readjustment in the Western Hemisphere, its leadership in world affairs will prove to be more dangerous than helpful. The Conference will not only be a test of the sincerity of the United States with respect to the inter-American system, but a test of the ability of the United States to assume practical and constructive leadership. Latin America, as well as the world at large, is fully cognizant of our penchant for preaching and proselyting, and only by dynamic, clear and realistic thinking can we uncross the fingers of our neighbors to the south and those everywhere who look to us for economic salvation.

Hence, it is vital that we be prepared to attend the Conference with a practical and constructive program. I can assure you that no one here, most especially the Ambassador, is proposing a preferential inter-American trade bloc. Rather, our idea is that the countries of this hemisphere should be welded into a unified force to be applied

in world councils to the realization, and not merely the affirmation, of liberal trade policies.

If each country is left to its own devices, the very force of circumstances will give birth to new compensation agreements and other measures to hamper trade. It is not enough to say that the world conferences of the future will settle all these problems. Those conferences, we hope, will attain every success. However, the United States right now, while waiting for the rosy future, has the opportunity to show that its ideas are worthy of world acceptance. If the Western Hemisphere can demonstrate that, through cooperative effort, the economic problems of the transition period can be faced, the voice of the Hemisphere in world affairs will not be the weak voice of theory but the strong voice of experience.

The problems of the transition period as these affect Latin America are difficult but not particularly complex. Basically, ways and means must be found to keep some twenty commodities moving in world trade in sufficient volume and price to prevent economic depression. Collective effort must be restricted to specific objectives. Thus, collective responsibility ends when Brazil is assured of a reasonable market at reasonable prices for its coffee, cotton, meats, hides, and corn. Hothouse, war induced industries—such as rubber—are the responsibility of Brazil alone except as the need for orderly liquidation of purchase contracts may be a moral or legal commitment of another country.

Do you agree that immediate study should be given to each commodity appearing in the list attached to my letter of January 27? ³⁹ We think that as a result of such studies, you will find that the problem can be reduced to a point where a successful program can be evolved. Our tentative commodity conclusions are presented in an enclosure,³⁹ but please consider them only as an indication of the lines the studies should take. The majority of the statements are based on assumptions rather than on facts, and we realize that many of the former may be erroneous.

Once your studies are finished, and assuming that our general conclusions are sound, consideration can then be given to methods for implementing the program. Several ideas in this regard were given in my letter of January 27.

You understand, of course, that we are not proposing that the United States sign any agreements at the Conference. We only urge that we have a constructive program to present to the Conference and be prepared to approve a resolution along the following general lines:

1. Describing the principal problems to be faced in the transition period;

³⁹ Not printed.

2. Defining collective as distinguished from individual responsibility;

3. Recommending:

(a) International commodity arrangements in those cases where such undertakings are necessary to promote the expansion of an orderly world economy;

(b) Effective representation of both consumers and producers in arriving at such arrangements;

(c) Equality of opportunity for all exporting nations to share in the import trade of liberated and conquered areas. (Wayne Taylor does not agree. He questions the desirability of considering this point at the Conference. However, while the Department may favor a more general statement, it must be remembered that Latin America *cannot* prosper in peace times without an equitable share of the European market, and any program would be meaningless without assurances in this regard);

(d) Immediate creation of machinery to finance trade with the areas mentioned in (c) above. (Wayne Taylor asks that his "violent opposition" be noted to the phraseology employed. He favors the International Fund and the International Bank. On this there is unanimity. However, the majority opinion—whatever Commerce and Treasury may think—is that financing will be imperative and, unless the Fund and the Bank are in operation when the need arises, emergency measures are essential. See also page 5 of my letter of January 27, 1945.);

(e) Orderly liquidation of Government procurement programs;

(f) Credit facilities for sound development of projects designed to cushion effects of transition period;

(g) Immediate bilateral or multilateral consultation among the interested American governments to determine the precise steps necessary to assure adequate production levels during the period of transition after the war.

It will be noted that no mention is made of inventories. It is believed that American policy should be determined in this respect but that any commitments should result from the implementation of paragraph (g). We are opposed to the suggestion contained in the memorandum of January 26, 1945,⁴⁰ "Inter-American Trade Arrangements", to the effect that the United States lend financial assistance to Latin American governments to stockpile selected products. If proper international or inter-American financial machinery can be created, there would not appear to be any particular problems with respect to foodstuffs and agricultural raw materials (except, perhaps, cotton and wool). The need for stockpiling primarily concerns metals. Metals should be stockpiled, if this is necessary, through acquisition by the United States. Even the taxpayers could not object to this policy as we would be adding to our national wealth assets which we will

⁴⁰ Not printed.

eventually need both in peace and war. Loans for stockpiling by other countries are unsound on several counts. If not repaid, the United States sustains a financial loss without any compensating assets; if repaid, the exchange drain may and probably will affect demand for American exports. Furthermore, only the United States has sufficient eventual need and sufficient immediate financial resources safely to embark on a minerals stockpiling program.

C. Post-War Problems: The Department is well prepared in this field. The recommendations on trade policy submitted by Subcommittee V to the Inter-American Financial and Economic Advisory Committee⁴¹ constitute a handbook of the philosophy of the Department in the field of trade policy. As many of the traditional resolutions on trade barriers and liberal trade practices as desired can be introduced by merely referring to this excellent compilation. Although fully sharing the views expressed in the report, we would suggest that, at the forthcoming Conference, the Department consider the advisability of a shift in emphasis. There has been a tendency in recent years to preach against the evils of trade obstacles rather than to attack the causes of those evils themselves. The agreements for the establishment of the International Monetary Fund and the International Bank are the first evidence of the direct approach suggested. We should stop making a religion of the trade policy and campaign for the correction of the conditions which cause the imposition of trade barriers. We would suggest a resolution containing the following recommendations: Reaffirmation of liberal trade policies; need for a world conference to correct present abuses; urging immediate action with respect to the International Monetary Fund and the International Bank; and the desirability of continued study and action to remove the causes which lead to the imposition of restrictions.

In addition to this resolution, we recommend others covering facilities for capital assistance for the purpose of promoting the development of sound economies; recognizing the need for diversification and industrialization in all the American republics; and a general resolution along the lines of the one drafted by you in your memorandum of January 11, 1945.⁴¹

The foregoing should provide a well rounded, constructive and practical program.

Sincerely yours,

MERWIN L. BOHAN

⁴¹ Not printed.

710 Conference (W and PW)/1-2945

Memorandum of Conversation, by Mr. Merwin L. Bohan, a Technical Officer of the Delegation

The Foreign Minister, attended by Campos Ortiz,⁴² received the Ambassador, Secretary Taylor, and Messrs. Bonsal, Sanders, and Bohan at 4:30 p. m. January 29. After a few preliminary remarks, the Foreign Minister asked for our views with respect to the economic phases of the forthcoming conference. The present situation was sketched for him, mention being made of the resolutions which the American Delegation would probably wish to discuss in the war and postwar fields. With respect to the approach to the problems of the transition stage, it was observed that the Secretary and Messrs. Rockefeller and Clayton were determined to meet the situation in a constructive and practical fashion. However, no definite program had been decided upon although we hoped that more precise information would be available in the near future.

The Minister stated that the division of the economic problems into three categories was a logical one. He had no particular comment to make with respect to the resolutions listed under "A" in my letter of January 29, 1945. With respect to transition problems, the Minister praised the Inter-American Coffee Agreement⁴³ which, he said, had proven its practical worth and felt that the same general approach should be followed in other commodity fields, specifically mentioning sugar. He also stated, rather categorically, that the exchange accumulations of the war period should not be dissipated upon non-essentials but should be utilized primarily for the acquisition of capital goods for the economic development of the countries of Latin America. He lightly touched upon the problems of financing and mentioned the Inter-American Bank project, but without specific indication of Mexican interest other than to observe that Mexico had already ratified the Convention.

He then reached the postwar phase, and it was clear that it was in this field that he was deeply and vitally interested. His dynamic personality and the deep sincerity with which he expressed his ideas was not only stimulating but almost hypnotic.

The Minister feels that upon the solutions found for the economic problems of this hemisphere depends the reality of continental unity. He pointed out that people are no longer moved by pamphlets filled with high sounding principles and that the way to the heart of the masses is through raising the standard of living and bringing about

⁴² Pablo Campos Ortiz, Chief Clerk, Ministry for Foreign Affairs.

⁴³ Signed at Washington, November 28, 1940; for text, see Department of State Treaty Series, No. 970, or 55 Stat. (pt. 2) 1143.

the economic development of the countries of Latin America. It was, observed the Minister, rather unfair that after all the sacrifices made by the United States to win the war that our country should also be called upon to sacrifice for the peace—but perhaps this latter sacrifice would turn out to be no sacrifice at all, since the expanding purchasing power of Latin America would go a long way towards keeping our industrial machinery busy. Even more important, perhaps, would be that rising standards of living and expanding economies would take away the main cause of anti-Americanism—envy of our economic position—and do away with the “isms” which attempt to destroy democracy on this continent.

The Minister's specific proposal was that the American nations approach, in what he termed the TVA “fashion, the economic problems of the postwar. He felt that the Conference should not only set down the general principles of such a program, but recommend the immediate creation of machinery to survey the resources of the hemisphere and prepare coordinated plans. He mentioned the need for an Irrigation Commission, an Agricultural Commission, and others.

The foregoing concluded his remarks with respect to the economic phases of the Conference.

The Ambassador, in reply, emphasized the desire of the Secretary, as well as Messrs. Rockefeller and Clayton, to meet the problems of the postwar in a constructive manner and expressed the opinion that the Minister's enlightening remarks would be of great help to them in formulating their program.

The Minister stated, upon our leaving, that Sanders and I were at liberty to discuss any and all matters with the members of the Mexican Delegation. Sr. Campos Ortiz expressed his willingness to put us in touch with the Technical Advisers and added that considerable progress had been made in drafting resolutions.

M. L. B[OHAN]

MEXICO, D. F., January 29, 1945.

710 Conference (W & PW)/2-245

*Memorandum by Mr. William Sanders, a Technical Officer of
the Delegation*

In the present memorandum an effort is made to outline the basic elements of the problems to be considered at the Conference under Topic II of the Agenda.

“Tennessee Valley Administration.

I. PROBLEMS

The three major problems under Topic II relate to the action the Conference may take on world organization, on the relationship of the regional system to the world organization, and on the development of the inter-American system.

II. OBJECTIVES

The objective of the United States delegation should be:

a) To give a full exposition and explanation of the Dumbarton Oaks proposals and to obtain expressions of individual points of view of the various governments, without, however, having these crystallize in the form of Conference conclusions which would force us either to abstain from voting,* and thus create the impression of disunity, or to sign them, and thus create the impression that we have lined up the Continent as a pressure unit behind us vis-à-vis Great Britain and Russia.

b) To take such positive and affirmative action with respect to the inter-American system that the other republics will have the necessary assurance that we are not abandoning the system in favor of world organization and that we are not, in our preoccupations as a great power, intending to use them as pawns in a coming struggle for world influence and markets (the Enrique Ruiz Guíñazu⁴⁵ thesis in "Argentina y el Futuro de América"). It is believed that such positive action can be taken in this field without embarrassing the Department in its negotiations with the British and Russians or encouraging undesirable regional movements elsewhere.

III. FACTORS WHICH CONDITION THE ACTION THE CONFERENCE MAY TAKE ON THESE PROBLEMS

The action which the conference may take with respect to Dumbarton Oaks is conditioned by the following considerations:

- a) The Proposals are not now in final form;
- b) We are committed to the other major governments not to negotiate with other governments on the Proposals;
- c) It is desirable not to give the impression the United States is lining up a solid hemisphere bloc in support of its position vis-à-vis Russia and Britain;
- d) It is desirable not to give other republics opportunity to give *collective* formal expression to views adverse to ours on Proposals, particularly on composition and functions of Assembly and Security Council.

With respect to the problem of relationship between the regional and the world systems, the considerations in (a), (b) and (c) above apply to a considerable extent. It is, moreover, not desirable to give

*Sr. Padilla has suggested this possibility. [Footnote in the original.]

⁴⁵ Former Argentine Minister for Foreign Affairs.

the impression we are entering reservations or formulating understandings, before signature of statutes of world organization, regarding Western Hemisphere cooperation in that organization.

The principal considerations with respect to the development and strengthening of the inter-American system is that positive action in this field would:

1. Tend to set at rest fears of some of the republics that we plan to abandon the inter-American system and place all our reliance on world organization;
2. Serve as strong political pressure on Argentine Government and impress the Argentine people with increasing isolation of Argentina;
3. Give rest of world, specifically Russia and Britain, impression we are presenting it with *fait accompli* on issue of spheres of influence before final agreement on Dumbarton Oaks.

Item 1 above is the compelling consideration; item 2 is a supporting factor which should be borne in mind; and item 3 can be taken care of in part by careful drafting, particularly by stressing in the preamble of any resolution adopted that this action is being taken to buttress the world system and that it is perfectly consistent with the objectives of that system.

IV. RECOMMENDATIONS

With the foregoing considerations in mind, it is proposed that a resolution be drafted incorporating the following provisions:

1. *On world organization.* A general declaration expressing intention of the American republics to support and to take an effective part in a world organization adequately equipped to maintain peace and security.

It may be well to be prepared to side-track or render innocuous pressure for a resolution formalizing the views of the other delegations on Dumbarton Oaks. This might be done by including in the declaration a reaffirmation of inter-American principles. We should be prepared, however, to deal with any proposal which would include among those principles that of equal representation, because of its direct effect on Dumbarton Oaks.

2. *Relationship.* A recommendation that once the statutes of the general international organization have been approved by the United Nations, consideration be given to the principles and methods by which the responsibility of the inter-American system for the maintenance of peace and security in this hemisphere may be coordinated and integrated with that of the general organization.

3. *Strengthening inter-American system.* A resolution in which the participating governments agree to the following modifications in the system:

- a) The general Pan American conferences shall continue as the general overall policy forming and reviewing instrumentality, but shall meet every three years instead of every five;

b) The meetings of Foreign Ministers shall continue to deal with emergency situations and to exercise primary responsibility for peace and security;

Triannual International Conferences of American States are suggested because experience shows the need for more frequent meetings of these conferences, which are the only competent instrumentality for overall review of progress and decision on further necessary steps in the entire inter-American field. It is also expected that, while annual meetings of Foreign Ministers will prove most helpful during the next few years, they will probably be abandoned in favor of special meetings, because:

- i) There would ordinarily be no need for such annual meetings, particularly if the past tendency to have the Foreign Ministers themselves attend general conferences continues;
- ii) There would be a tendency, difficult to avoid or to check, to have these meetings enter the field of general conferences, as is shown by the experience with the consultative meetings held to date;
- iii) The meetings are preeminently suitable for emergency situations and are too cumbersome to be an adequate means for handling the ordinary run-of-the-mill emergency or political problem;
- iv) They would, consequently, tend to "make work" and thus lower the prestige of their conclusions and decisions.

c) There shall be a standing or permanent agency to function and to implement the decisions of the meetings of Foreign Ministers in the interval between meetings. The governments will send proposals on this to the Pan American Union which shall classify and coordinate them in a report to the Bogotá Conference.

d) The special and technical conferences shall be held more frequently and shall be better organized, coordinated and integrated. The Pan American Union shall submit proposals on this to the Bogotá Conference.

e) The Pan American Union shall be strengthened and expanded by the granting of additional powers of general review and supervision over autonomous and semi-autonomous agencies, by a considerable increase in its budget and by organizational changes that will place it in more direct and constant contact with all the governments. The Union shall submit proposals on this to the Bogotá Conference.

A suggested draft resolution along the foregoing lines is being prepared which uses the Peruvian draft on the subject as a basis, as well as the Washington draft of January 20, 1945.

V. CREATION OF A PERMANENT AGENCY IN THE POLITICAL FIELD

It is now generally recognized that the element of permanency and continuity should be added to the political structure. The method for achieving this is in issue. For this reason, item (c) above leaves

that question open for further study and later decision. This does not, however, weaken the definitive undertaking to add the element of permanency and continuity to the political structure.

The *ad hoc* political structure runs parallel to and independently of the permanent non-political structure, of which the Pan American Union is the principal agency.

The political structure deals with disputes between states and any situation which threatens the peace and security of the continent, from within or from without. This structure is composed of the following:

1. International Conferences of American States, which establish the basic policies and procedures.

2. Meetings of Ministers of Foreign Affairs, which determine specific application of those policies or adopt policy decisions with respect to specific emergency situations.

3. A series of principles, which provide for cooperative action for the maintenance of peace and security and enunciate certain standards of international conduct.

4. A series of general treaties providing for specific settlement of disputes through the action of *ad hoc* agencies.

5. Two so-called permanent Gondra diplomatic commissions,⁴⁶ which facilitate the organization of *ad hoc* commissions of conciliation and which can undertake of their own accord limited conciliation functions in serious cases. These commissions are composed of the three longest accredited American diplomatic representatives in Montevideo and Washington.

6. A permanent committee of five authorized to exercise constant vigilance in behalf of peace. This commission has not been appointed, although the governments authorized to make the appointments have been designated.

The specific issue is whether the parallelism of the past between the political and non-political, reflected concretely in the fact that the Union is barred from activities covered by 4, 5 and 6 above, should be retained or whether the two should be merged.

The following considerations favor retaining this separation:

- a) It is desirable to retain the traditional segregation of the political from the non-political, in order to insulate the Pan American Union from the stresses and strains of political controversy.

- b) The Pan American Union cannot become an effective instrumentality in the security field without increasing the possibility of criticism arising from the fact that it exists in the "shadow" of the Department of State.

- c) The granting of political power to the Union would operate after the fashion of a billiard shot, leading to a steadily developing pressure over a period of time for basic structural changes in the Union, which

⁴⁶ The commissions set up under the treaty to avoid conflicts between the American States, known as the Gondra Treaty, signed at Santiago May 3, 1923; for text, see *Foreign Relations*, 1923, vol. 1, p. 308.

might ultimately result in the removal of the Union or the Governing Board from Washington under some rotating arrangement. It is believed that the presence of the Union in Washington is a factor of stability and efficiency in the system and gives the United States an advantage which it should not forego.

d) By retaining the present system and simply adding a permanent agency with headquarters in some other republic, we reduce criticism to a minimum and give evidence of willingness to depart, in the Americas, from the concentration of power in the major states, characteristic of the plans with respect to world organization. Moreover, it is believed that nothing else that we could do would so satisfy the urge for decentralization, so prominent a feature in the inter-American system.

e) By this move we would avoid focusing in Washington the responsibility for political decisions carrying with them disagreeable implications and repercussions and would generalize the responsibility for such decisions.

f) It is not necessary, in order to strengthen the Union, to give it political functions. It is submitted that the proposal in (e) of section IV above is the sounder procedure in strengthening the Union. The exclusion of the Union from the political field would not entail weakening that body, particularly if political problems are narrowly defined as those involving disputes between states or any matter which, although originally non-political in character, becomes political by the injection of a controversial element. Moreover, should a separate political agency be created, the Union could continue, as in the past, to act as the permanent secretariat of the Meetings of Foreign Ministers. The political agency could have a skeleton clerical staff and could call on the Union for additional personnel in special cases.

It should be borne in mind that the creation of a special political agency would not divide the inter-American system. The division between political and non-political would exist, as it does today, only with respect to certain interim operating activities. The major policy determinations would continue to be made by the general conferences, the source of all authority, whether political or non-political, and the major political decisions and implementing activities would continue to be the responsibility of the Meetings of Foreign Ministers.

For the above reasons, it is not believed desirable that the Union be granted political powers, even if there is general support at the Conference for such a step. It is believed that the United States' proposal at Buenos Aires in 1936⁴⁷ for a permanent "Inter-American Consultative Committee" of twenty-one members, was the correct approach.

W. S[ANDERS]

MEXICO, D.F., January 29, 1945.

⁴⁷The proposal in this form does not appear to have been presented to the Inter-American Conference for the Maintenance of Peace, held at Buenos Aires, December 1-23, 1936. For documentation on the Conference, see *Foreign Relations*, 1936, vol. v, pp. 3 ff.

710 Conference (W & PW)/2-245

Political Memorandum No. 3 by Mr. William Sanders, a Technical Officer of the Delegation

CONVERSATION BETWEEN LICENCIADO PABLO CAMPOS ORTÍZ AND MESSRS. BOHAN AND SANDERS, HELD AT THE MINISTRY OF FOREIGN RELATIONS, FEBRUARY 1, 1945

The conversation began with statements by Messrs. Bohan and Sanders stressing the preliminary status of the work in Washington and the expectation that these informal conversations would prove mutually helpful in giving practical effect to the common desire of the two governments to make this a truly significant conference.

Thereafter, Lic. Campos Ortíz did most of the talking, except when Messrs. Bohan and Sanders indicated the close concurrence revealed by his remarks in the thinking in Mexico and Washington, of which there appears to be a great deal, or suggested a difference in emphasis or approach on some specific point.

Lic. Campos Ortíz' remarks related, primarily, to Topics I and II of the agenda, since, as he explained, he has not kept in touch with the preparations in the economic field. He is to make arrangements for Mr. Bohan to see the members of the Economic Committee, probably early next week. Mr. Bohan has informed Mr. McClintock on this point.

TOPIC I

Under this topic the Mexican delegation will submit a general resolution, which will constitute the foundation document of the Conference, to be known, perhaps, as the "Declaration of Chapultepec". This will be the "cumbre" or apex of the pyramid of Conference conclusions, which will spell out the general principles of that Declaration in the different fields. Among the principles to be included in the Declaration are:

1. An affirmation of American democratic faith. The scope of this statement is not clear, but it will probably set forth, among other things, that democracy is the only true basis of individual welfare and dignity and of lasting international peace. This will be the theme or *leitmotiv* of the Conference. Great importance is being attached to this statement, and it is apparent that, if the views of Dr. Padilla and Lic. Campos Ortíz are representative, perhaps as much significance is being attached in some minds to this ideological aspect of the Conference as to the economic phases.

2. Some or all of the principles of the Atlantic Charter.

3. Affirmation that America is an economic unit.

4. Affirmation that America must be a strong regional system able to cope with its own problems.

5. Reaffirmation of principles of solidarity against all aggression.

TOPIC II

The various resolutions under this topic would particularize the general principles of the Declaration of Chapultepec as follows:

A. *International Organization.* A resolution reciting that in view of the need for a strong international organization and of existing projects on the subject, including Dumbarton Oaks, the Mexican proposals and the draft of the Juridical Committee, etc., the Conference declares that the American Republics will support a strong and effective world organization based on certain principles, which will be specifically mentioned. These will include juridical equality of states, and other well-known inter-American principles, as well as certain principles of organization, which will be worked out at the Conference.

Sr. Campos Ortíz at first stated that among the latter could be included one declaring that the international organization should have an Assembly and a Council. When pressed for details on this, particularly if the problem of composition, functions and powers of the Assembly and Council would be covered, he said that all he had in mind was something very general. He also said that Dumbarton Oaks need be mentioned, if at all, only in the preamble of the resolution. It is apparent that the Mexican officials are expecting that there will be considerable pressure at the Conference for a statement incorporating the views of the American Governments on the desirable bases of the new world organization. However, they are aware of our own attitude on the subject and may work with us to prevent an embarrassing situation from developing at the Conference.

B. *Relationship of Regional to World Organization.* A resolution that there should be a strong inter-American regional system able to solve its own problems; that there should be consultation and mutual agreement on questions that are to go before the world organization; and that all local remedies must be exhausted before the world organization should take cognizance (this has reference probably to disputes). It was remarked that perhaps it would be sufficient to confine this resolution to the first principle and not to go into the other two questions, which it might not be expedient to cover at this time. Lic. Campos Ortíz agreed that this might be better.

C. *Strengthening the Inter-American System.* It is apparent that the Mexican officials are thinking in rather ambitious terms on this subject. The general lines of their approach include:

1. Continuation of the general Pan American Conference and Meetings of Foreign Ministers;
2. Creation of a strong overall executive body (a revised Governing Board of the Pan American Union);
3. Coordination and reduction of agencies;

4. Coordination and integration of resolutions of the Pan American Conferences;

5. Coordination and integration of means of pacific settlement (they apparently prefer Document A proposed by the Juridical Committee, considering Document B, which is based on the Mexican Peace Code, as being too ambitious and bringing in too many new ideas and procedures);⁴⁸

6. Integration of methods for codification, perhaps through the elimination of all but one of the existing agencies.

Under the Mexican proposal, the Pan American system would be modified somewhat as follows:

a. An overall body in the form of a governing board or council composed of special representatives of the American Republics rather than of the diplomatic officials resident in Washington; it would meet infrequently, perhaps twice a year; it would exercise political functions and would not be bound by the unanimity rule (Lic. Campos Ortíz likes the UNRRA formula).

b. A permanent economic body.

c. A permanent political body specifically charged with the pacific settlement of disputes and authorized to act of its own initiative to set in motion the different procedures of peaceful settlement, and apparently to take strong action where necessary.

d. A juridical body, apparently to undertake the codification of international law and to consider other technical legal problems.

e. A permanent body to promote intellectual cooperation.

f. A permanent secretariat of the inter-American system under a secretary general; that is, the Pan American Union apart from the Governing Board.

Lic. Campos Ortíz referred to the Colombian-Dominican project on the establishment of a League of American Nations to say that it contains many sound ideas on the foregoing, but that it was perhaps overly ambitious. Nevertheless, it is evident that they are thinking in terms of a somewhat similar major overhauling of the system. Of special interest is the idea of an overall executive council meeting periodically or *ad hoc*, and perhaps not always in Washington (rotating idea), as a sort of peripatetic conference of a third category in the system, which would supervise the activities of permanent, decentralized bodies in the different fields. Since these permanent "functional" bodies would apparently channel through and be responsible to this executive council, the latter would deal with matters within the purview of the standing political entity for pacific settlement and would, of course, be competent to pass on major (disputes between

⁴⁸ On March 6, 1944, the Inter-American Juridical Committee presented two proposals. Proposal A analyzed existing agreements to show the inefficiency of existing machinery to preserve peace. Proposal B made recommendations for changes in the existing system. For an account of the Committee, see Charles G. Fenwick, "The Inter-American Juridical Committee," in the *American Journal of International Law*, vol. xxxvii, pp. 5 ff.

states) as well as minor (controversial issues in all fields calling for common decision and action) political questions.

D. *Other Resolutions.* Lic. Campos Ortíz also mentioned the possibility of a resolution providing that international law be recognized as part of municipal law, and another resolution containing a declaration of basic human rights. In this latter connection, and in answer to a question as to the meaning attached to the term "human rights," he read part of a resolution prepared by Sr. Samuel Ramos, one of the advisers of the Mexican Delegation, containing an affirmation of democratic faith by the American Republics, with directives for education in democracy and provision for a conference of Ministers of Education to work out the details of such a program. He also stated that the possibility of a resolution recommending that all republics declare war on the Axis had been considered, but it was thought it was too late for such a recommendation.

There would be no treaties and the resolutions would simply establish bases or principles to be applied by the governments or to be worked out in detail for later decision. For example, under agenda Topic II-B, there would be an *agreement* on the principal changes to be made in the system and on the entity to work out the details. Lic. Campos Ortíz thought a special entity could be created or the Juridical Committee could be selected to submit detailed plans to the revamped Governing Board for revision. He was not clear as to how these plans would be approved but seemed to think this could be done by the Governing Board as the representative of the governments.

The foregoing gives the broad outlines of thinking in the Foreign Office on the political topics of the agenda. It should be borne in mind, however, that this is all preliminary and that, as Lic. Campos Ortíz stated, "some of these ideas may be expanded, modified or even discarded when the Foreign Minister and the delegation as a whole pass upon them."

It is expected that further conversations will be held early next week with Lic. Campos Ortíz and other members of the Second (Political) Committee. These conversations should supply the answers to the many obscure points, as well as to others of interest not touched upon, in this memorandum.

W. S[ANDERS]

MEXICO, D.F., February 2, 1945.

710 Conference/2-545 : Telegram

*The Acting Secretary of State to the Ambassador in Mexico
(Messersmith)*

WASHINGTON, February 5, 1945—7 p. m.

217. For Merwin Bohan. Your various letters greatly appreciated. Following is résumé of Department's policy with respect to the economic portions of agenda:

A. Other American republics to join United States in reduction of barriers to free flow of trade and commerce. This will be embodied in an economic charter for the Americas covering the following points: 1. Fullest collaboration in accordance with the principles of the Atlantic Charter to secure for all improved labor standards, economic advancement, and social security. 2. Joint action to create conditions which will encourage an economy of abundance, expanded domestic and foreign trade and consumption, and thus, through maximum productive employment, permit peoples everywhere to be healthy, adequately clothed, housed, and fed, and to enjoy the rewards of their labor in dignity and freedom. 3. Elimination of existing forms of discrimination and prevention of new forms, and enjoyment of equal access to trade and raw materials. 4. Reduction of trade barriers and stabilization of currencies. 5. Elimination of excessive economic nationalism in all its forms. 6. Just treatment for enterprise, skill, and capital brought from one country to another. 7. Early action to bring into operation the International Monetary Fund, International Bank for Reconstruction and Development, and food and agriculture organization of the United Nations. 8. Adherence to system of private enterprise. 9. Prevention of cartels and combinations which restrict international trade or access to markets but with provision for necessary commodity agreements. 10. Recognition of rights of labor.

B. Agreement by the United States to assist other American republics in cushioning shock from termination of war purchases and in meeting internal economic and social problems. This will be covered by the following: 1. Wartime procurement program. No cutbacks will be made of government contracts without prior consultation with producing countries. After such consultation, cutbacks will be made on gradual basis over agreed-upon period. 2. Transition period. During transition period loans will be made on joint participation basis by the United States and the American republics concerned to provide for minimum essential production of raw materials needed to maintain the economies of the American republics and to permit orderly liquidation of surpluses. Amount of participation by United States and other governments to be determined by commodity involved and general

economic condition of country concerned. Such transition loans to be general obligations of country concerned and not secured by commodities. Receipts from sales of acquired commodities by Latin American governments would be earmarked for repayment of the loans. This is, in effect, Courtney Brown's ⁴⁹ proposal with addition of joint participation in credit risk by other American republics. 3. Facilities for sound economic development. Facilities will be made available for sound economic development programs to increase productivity of American republics. These will include technical assistance, provision of the necessary capital goods by the United States within the limits of the supply situation, and after the utilization of current dollar balances, long-term credits.

With reference to your recommendation regarding international commodity agreements, this Government will go no further than the position taken at the Hot Springs Conference.⁵⁰ In addition to the foregoing, this Government will, after a policy has been reached on stock-piling and congressional authority secured for stock-pile operations, give favorable consideration to Latin American sources of supply.

This Government will also render assistance of an advisory character to those countries having surplus commodity disposal problems with the objective of orderly disposal of surpluses in the world market. This will particularly affect countries less experienced in marketing of specific commodities: for example, the case of Ecuador in disposing of its surpluses of balsa. Preliminary thinking regarding matching of European demands with Latin American surpluses has lead to no concrete results as yet.

The above general outline of this Government's approach to the economic phases of the agenda is for the information of Ambassador Messersmith and you only and should not be communicated to the Mexican authorities although it may be used in the discretion of the Ambassador as a guide to his thinking in his conversations with the Mexican Government.

GREW

⁴⁹ Chief, Supply and Resources Division.

⁵⁰ That position was to favor agreements and arrangements to promote efficient production and adequate supply of food and agricultural products, to consider arrangements aiming at equitable prices, and to favor trade, financial and other arrangements to enable countries to obtain food and agricultural products. See telegram 1465, March 8, 1943, 9 p. m., to London, *Foreign Relations*, 1943, vol. I, p. 820.

710 Conference W and PW/2-545

The Ambassador in Mexico (Messersmith) to the Assistant Secretary of State (Rockefeller)

MEXICO, D. F., February 5, 1945.

DEAR NELSON: I had a talk with Padilla on Friday evening in which we covered a number of things, and I need not tell you that Padilla is exceedingly anxious to do everything in his power to make the February meeting a success. He realizes that while some of the other countries will be making sporadic preparations, or rather, incomplete preparations, that we and Mexico are really the only two countries that will be giving considered thought to all phases of the meeting.

For this reason, he is naturally very pleased that Bohan and Sanders are here because this will be very helpful. Machold ^{50a} too is going to remain here and I think this is a good thing, and I am going to have Bohan, Sanders and Machold work as a team and with me on all matters affecting the conference.

Padilla, as you will know from my previous letters, feels so strongly that so much of the success of the meeting will depend on preparation, and there isn't any doubt but what he and some of the people on the Mexican group are working very hard. The whole attitude of the Mexicans is that they want to work with us because they realize what responsibility rests on us in the inter-American and in the world picture. I don't think they want to raise any question that is going to make trouble, and I think so far as possible they want to fit their attitude in with ours, to the extent that this is humanly possible, on all the major questions which will be considered.

Padilla said with regard to Dumbarton Oaks that we ought to have a very complete understanding, that is, the Department and the Ministry here, before the meeting, and if possible, well before the meeting. He says that most of the Latin American countries have very definite views with regard to Dumbarton Oaks. He says that they will want to give expression to these, although some of them have done so in memoranda. He says, as he sees it our attitude could be only one of three. We could accept these suggestions, which he doubts whether we could; we could reject them, which he doubts we should do; or we could indicate that we were taking them into account for background in connection with further conversations in the formulation of the final agreement on world security organization among the big three. He said this was a very rough way of putting it, but he said we would have to work out some way of meeting this point of view of the Latin American States with regard to the proposals as they now stand.

^{50a} William F. Machold, Special Representative, Mexican-American Commission for Economic Cooperation; a Technical Officer at the Mexico City Conference.

The important thing is that so far as Padilla is concerned, he is ready, I believe, to accommodate the Mexican attitude into the realities of the situation and he knows enough about the big picture to know how difficult our position is and that there are certain things which we can't say or do now, and that there are certain suggestions with which we can't agree at this meeting, even though we might be fundamentally in accord with them. Padilla's view I think is that the most important thing is that we have an understanding of what can be done eventually. I think he has in mind that some of these Foreign Ministers are going to be here perhaps as much as a week before the meeting, or at least three or four days before the meeting, and they will be bound to have conversations with him and perhaps with the President of Mexico,⁵¹ and he wants to be sure that before he talks with any of these people before the meeting, he will know pretty well what we have in mind, what we could go along with, and what would be constructive from our point of view.

The foregoing is a very poor way of stating this problem, but I am going to ask Sanders to write more fully on this matter. You will appreciate, however, what the situation is and what Padilla has in mind, and that all he is thinking of is to be helpful.

Similarly, Padilla says it will be very important for Mexico and us to know just what each thinks about how this Argentine question is to be handled. Padilla of course is very definitely of the opinion that it can't come up until the very end of the meeting, if it does come up at all. He believes that there will be several countries which may try to bring it up at the beginning, but that this must be stopped at the outset. Parenthetically here I may say that I think the chances are more that Cuba will be recalcitrant than even Colombia, Venezuela or Ecuador. I think that if we are prepared to make adequate distinction between the Argentine people and the present Argentine regime, which of course we are, we can get an understanding attitude from the Colombians and Venezuelans on this matter.

Padilla is of the opinion that it will be very difficult to keep from some discussion of the Argentine question at the end of the meeting. He thinks some of the countries will be insistent on that. He doesn't like the idea but I think he is right when he thinks it has to be done. The form he thinks should be determined by the principal delegates, if possible, very early in the session. Certainly at their first meeting they should decide that at no time during the meeting can the Argentine question be raised until the very end of the regular agenda has been disposed of. He says however he would like to know now what our own thoughts are as to how it can be handled if and when it is

⁵¹ Manuel Avila Camacho.

handled at the end of the meeting. His thought is that if it is handled in any way, we are going to come with such overwhelming evidence that there will be no question of an Argentine appearing because even those who may be friendly to the Argentine would realize how useless this would be. I understand that Carl Spaeth is working on the Argentine case and briefing it, and I think this is most important.

Padilla said he had no idea of a specific character but he did think that one of the things which could be done was for the principal delegates to agree that a permanent committee be set up composed of a certain number of States, to deal with the developments in this Argentine situation and to report to the other American States any developments in that situation of interest, so that if there are developments in the Argentine with respect to the regime or a change of regime which would make any change of attitude on the part of the other American Republics possible, such a change could be considered. He said this was only a very rough thought that he had not developed, but it was one of the things which he thought might be possible.

He is very sorry that you were not able to come down for the closing meeting of the Joint Economic Commission,⁵² as he hoped to have this opportunity to exchange views with you. Dudley Bonsal has informed me that the Department is sending us as rapidly as it can, drafts and thoughts of ours in the economic and political field, even though they are not final, and this of course, is going to be helpful. Padilla has expressed strongly how much he feels the need of discussing these matters with us and having some common point of view if possible before the Foreign Ministers and delegates and advisors begin to arrive. Of course this does not mean that he has in mind that we are going to set the stage between ourselves, because that would be inadvisable, but I think he is very sound in his thought that, so far as possible, we should have a complete exchange of views in as frank a way as possible and try to reach as common a basis as we can on some of the major matters, at least six or seven days before the meeting. His whole thought of course is to be helpful.

I should be glad to have your reactions to any of the foregoing.

With all good wishes [etc.]

MESSERSMITH

[Here follows a postscript in which the Ambassador indicated certain factors in Cuban-United States relations that might affect adversely the interests of the United States at the Conference.]

⁵² For documentation concerning this Commission, see *Foreign Relations*, 1944, vol. VII, pp. 1198 ff.

710 Conference W and PW/2-745

The Ambassador in Mexico (Messersmith) to the Assistant Secretary of State (Rockefeller)

MEXICO, D. F., February 7, 1945.

DEAR NELSON: Dudley Bonsal called me on the telephone the other day and said that the Department was sending us some preliminary information with regard to our thoughts on economic matters for consideration at the forthcoming Mexico City meeting and that in a day or two he hoped to send us some information on the thoughts of our people in the political field. This was very encouraging to us here as we feel the need of this orientation.

We received yesterday the secret telegram No. 217 of February 5, 7 p. m., intended for Bohan, giving a résumé of the Department's policy with respect to economic phases of the agenda of the Mexico City meeting. We have been giving this very careful study, and I was able late last evening to give it very careful consideration. Bohan, Sanders and Machold are having a meeting with me later this morning in order to talk over this telegram.

My preliminary reaction is that I think we have made a good deal of progress in approaching the economic phases of the agenda in a realistic and practical and understanding way, but I think I should frankly tell you that, in my opinion, we have to go a little further. We are still thinking too much in terms of getting our Latin friends to commit themselves to certain general principles, with which we are all in accord in reality, and not thinking concretely enough of how we can make it possible for them in practice to implement and really stand by such principles. There is no doubt that the American States are in favor of these principles set forth under Section A of the telegram to Bohan. The one thing that concerns them is the degree to which, in the world in which we are, and into which we are moving, they will be able to hold to these principles.

They will want to hold to them just as much as we do, but they see two great powers proceeding in a very selfish and in a very opposite direction. They realize that unless there is the closest collaboration among them and among us all in this hemisphere that the mere endeavor to stand by certain principles, and the mere declaration to stand by them, will mean very little. For this reason, as I have indicated in my letters with regard to the economic phases of this meeting in Mexico City, it is essential from the political, economic and defense point of view that we give these countries the definite impression that we are viewing this situation in a realistic way and that while we will proclaim to the world our intention to stand by certain principles and in fact our determination to stand by them, that we will at

the same time take some specific measures with regard to this hemisphere which will indicate to Governments and peoples in this hemisphere that we are viewing the world situation and the American problem with complete reality and that there are some specific commodity and other problems in this hemisphere that must be given primary and immediate attention. My first impression is that Section B of the telegram to Bohan, while it conveys much that is good in the way of a realistic approach, is yet inadequate. We will, I think, have to be able to talk a little more specifically with regard to commodity problems for, after all, commodities lie at the basis of the whole problem of each of these countries.

[Here follows a discussion of personnel matters.]

I also want to refer to the last paragraph of this telegram to Bohan, which says that the telegram contains a general outline of our Government's approaches to economic phases of the agenda, but that this is for the information of the Ambassador and Bohan only and should not be communicated to the Mexican authorities, although it may be used in my discretion as a guide to my thinking in my conversations with the Mexican Government.

In this connection, I would like to add that it is in my opinion absolutely essential that we talk as freely as we can with the Mexicans on economic phases of the meeting. They are expecting us to do so. I think the discretion of Bohan, Machold and Sanders can be depended upon completely. We see each other once or twice a day. We have so far been getting far more from the Mexicans than we have been giving, for we have been able to say really nothing. Whatever we have said has been reported. The Mexicans have been working on the economic phases but have not been able to talk very concretely because Serrano, the Minister of Economy, who heads this up, has been away and just returns today, but undoubtedly the Mexican economic people will get together today with Serrano and they have indicated that then they can talk to us more freely.

They do want to talk with us, as Padilla indicated to me and which I reported in a letter a day or two ago. Padilla feels that the Mexicans want to keep their thinking so far as possible in line with our own, and he has even implied that they want to be guided by it as much as possible, as they know that ours is the most responsible position and that nothing can really be done without us. They therefore do not wish to get out on a limb in anything they say or do. The Chiefs of Mission of these other American countries here will begin to besiege the Mexicans very shortly on the political and economic views of the Mexican Government which they can send to their Governments. The Mexicans will feel themselves hampered in their

talking if they do not know what we are thinking about, for they do not wish to cross currents with us. Padilla himself is tremendously interested, because he has to talk with these Chiefs of Mission and he will have to talk with these Delegates from these other countries as they arrive, as will the President of Mexico, and he wants to orient the President, and he himself wants to be oriented, so that he will know what line to take. I do not mean to say that Padilla and the Mexican Government will slavishly and servilely follow our line, but they are realistic about this meeting and want it to be a success and they know, if it is to be a success, it will be dependent very largely on us, and they want to work with us as far as they possibly can.

I think therefore that you all will have to agree to give Bohan, Sanders, Machold and me a little more leeway in talking with the Mexicans so that the Mexicans will know what we are thinking about. I can see no danger in this at all, but I can see a great deal of advantage—in fact I can see only advantage and no danger. I really believe it indispensable and I think you will agree. As long as we stick, in what we may say to the Mexicans, to the lines of thought which the Department gives us, I am sure there can be no danger. Time is getting short and we can do a lot towards orienting the Mexican thinking as well as stopping some cross currents elsewhere if you will give us the greater freedom in talking with the Mexicans.

As I said before, this is a very hurried and somewhat disjointed letter, but I have wanted to get these thoughts to you by this airmail, and as the telephone is now so thoroughly censored, I have wanted to do it by letter.

With all good wishes [etc.]

MESSERSMITH

710 Conference W and PW/2-845

*Political Memorandum No. 4 by Mr. William Sanders, a Technical
Officer of the Delegation*

[Extract]

CONVERSATION BETWEEN LICENCIADO ALFONSO GARCIA ROBLES, ASSISTANT DIRECTOR OF POLITICAL AFFAIRS AND OF THE DIPLOMATIC SERVICE OF THE MINISTRY FOR FOREIGN AFFAIRS, AND MESSRS. BOHAN AND SANDERS, FEBRUARY 6, 1945

TOPIC I

After the usual caveat by Lic. García Robles and Mr. Sanders regarding the tentative character of the preparatory work in Mexico and Washington, the former stated that the study of possible resolutions under Topic I of the agenda was being held up awaiting Ambassador

Castillo Najera's arrival from Washington. From the tenor of his remarks it would appear that the Mexican officials are presently thinking primarily in terms of military cooperation.

Lic. García Robles will arrange for a meeting within the next day or two with the secretary of the First Committee.⁵³

Mr. Sanders explained the nature and scope of the subjects being considered in the Department in the field covered by this part of the agenda. Lic. García Robles thought the declaration of general principles, including those of the Atlantic Charter, would perhaps fit better under Topic II. Regarding a resolution reaffirming paragraph 4 of Resolution I of Rio, he inquired if we were prepared to answer any inquiries from other delegations with respect to problems of the type that arose in connection with the recognition of the Italian Government. He apparently had in mind certain doubts Lic. Tello⁵⁴ had at one time on the recognition of a government in an enemy country prior to the conclusion of definitive peace. He said that the Ministry for Foreign Affairs had not given thought to the protection of the interests of American Republics in enemy countries and inquired whether the protection of the interests of nationals as well as governments was contemplated. He thought that a resolution on political defense along the lines indicated to him would be to the point.

TOPIC II

Proposals on the following subjects are being prepared in the Ministry for Foreign Affairs:

1. *Project of Dumbarton Oaks for the creation of a general international organization*. (Proyecto de Dumbarton Oaks para la creación de una Organización Internacional General).

Lic. García Robles said that at the moment they were thinking of something very general. In answer to a question as to whether they contemplated including any reference to specific bases of organization, he said that he did not think it was necessary or advisable; that their present thought was that it would be enough for Mexico to submit its memorandum on the Dumbarton Oaks Proposals for general discussion. They plan to have the memorandum in English and Spanish. The contents of the draft prepared in the Department were described to him in general terms, and he thought that nothing more was needed on the subject.

From his remarks, it would appear that there has been a definite change in the thinking of the Mexican officials on this subject and that

⁵³ Augusto Moheno, official of the Mexican Ministry for Foreign Affairs was secretary of this Committee organized to deal with complementary measures to intensify the cooperation in the war effort.

⁵⁴ Manuel Tello, Mexican Under Secretary for Foreign Affairs.

they now see eye to eye with us. This shift is unquestionably the result of the conversations held with the Foreign Minister and Licenciados Tello and Campos Ortíz.

2. *Protection of the international rights of man* (Protección de los derechos internacionales del Hombre).

It is now definite that the Mexican officials are thinking of a resolution looking toward the preparation of a statement on basic human rights. This resolution would be one of the supporting documents of the affirmation in the Declaration of Chapultepec of the democratic faith of the American Republics. Lic. García Robles referred to the various existing projects on essential human rights, including those sponsored by the Institute of International Law, Lord Sankey,⁵⁵ H. G. Wells⁵⁶ and the draft prepared by a committee of experts for the American Law Institute. He added that the thought was that the Juridical Committee could be requested to undertake a study of these proposals and to submit concrete recommendations to the governments. On the basis of the observations of the governments, the Committee could then prepare a project for consideration by the International Conference of American Jurists.

The final product of these studies would, according to Lic. García Robles, be incorporated in a statement which would envisage a series of political, social and economic rights of man having universal moral validity. Apparently, within the scope of this statement of essential rights, the individual would become the subject rather than the object of international law, although the document would not have conventional or obligatory force.

3. *Development of the existing inter-American system* (Fomento del actual sistema interamericano).

On this subject the information contained in Political Memorandum No. 3⁵⁷ seems to be correct, with the following changes or additions:

a) Lic. García Robles was not sure that a permanent political body is necessary in the security field, although he thought the possibility should be considered. He was also not in favor of authorizing the Governing Board of the Pan American Union to undertake conciliation functions; that is, to act as a permanent agency in the security field. He considers that a consolidation of existing instrumentalities and procedures of pacific settlement along the lines of Document A of the report of the Juridical Committee, in conjunction with an improvement in the consultative procedure, will be sufficient. In this latter connection he has in mind a more rapid, simple and informal method for special cases. In his view the Meetings of Foreign Min-

⁵⁵ British Member of the Permanent Court of Arbitration at the Hague.

⁵⁶ British author and philosopher.

⁵⁷ *Ante*, p. 79.

isters are too cumbersome and unwieldy for ordinary emergency situations. He mentioned as an example of the procedure he has in mind the Mexican proposal of last year that the recognition of the Bolivian regime be considered by a meeting of representatives of the governments, held in some American capital under the auspices of the respective Minister of Foreign Affairs.

b) It was quite clear that the Mexicans are thinking of a change in the Pan American Union which would convert the Governing Board into a species of perambulating conference or general council of the system. He quoted Erasmus' saying that men fear more what they think of things than the things themselves, in support of his view that it was politically desirable to remove the Governing Board from Washington under some rotating arrangement, so as to eliminate the opportunity for "unfounded" allegations that the Union is controlled by the United States. Under this revised system the governments would appoint special representatives and the Governing Board could exercise political functions. However, in this last connection he appears to be thinking of political functions in a generic sense rather than specifically in connection with settlement of disputes, that is, along the lines indicated in the letter from Mr. Sanders to Mr. Dudley Bonsal of February 2, page five.⁵⁸

4. *Coordination of inter-American agencies with the world organization in its various aspects* (Coordinación de las instituciones inter-americanas con la organización mundial, en sus diversos aspectos).

This subject relates to the relationship that should exist between the regional and the world systems. Lic. García Robles had nothing to add to what has been reported, except that he expressed approval of the idea of a general recommendation that the problem be considered once the statutes of the general international organization are signed, and that specific directives should not be included.

5. *Peace code* (Código de la Paz).

On this subject see item C-5 on page three of Political Memorandum No. 3. The improved and simplified special consultative procedure referred to above under 3 would be the capstone of the integrated procedures of pacific settlement.

6. *Incorporation of international law into national law* (Incorporación del Derecho Internacional a los Derechos nacionales).

There is nothing new to report on this point.

7. *Reaffirmation of the protocol on non-intervention, the "Estrada doctrine," and solidarity of democracy in America* (Reafirmación del Protocolo de No Intervención, "Doctrina Estrada" y solidaridad de la Democracia en América).

⁵⁸ Not printed. Similar views were expressed by Pablo Campos Ortiz of the Mexican Ministry for Foreign Affairs; see "Political Memorandum No. 3," February 2, p. 79.

This resolution would reaffirm the principle of non-intervention as defined at Buenos Aires in 1936, accept the Estrada doctrine as governing relations with new governments, and declare the intention of the American Republics to support democracy by refusing to have relations with non-democratic governments.

Although Lic. García Robles was not clear on the rationale of this resolution, it would apparently be based on the following premise: the protocol on non-intervention does not preclude collective intervention in the general interests; it is in the general interest to promote and support the democratic form of government in the Americas; the Estrada doctrine can be used for this purpose since it gets away from the use of recognition as a unilateral coercive weapon on behalf of a purely national interest or policy.

Further clarification of the scope and nature of this proposal will be sought at an early date.

8. *Motion on the significance of education in democracy and in the maintenance of peace* (Moción sobre el significado de la Educación para la Democracia y para el mantenimiento de la Paz).

From what Lic. García Robles said, it is now apparent that the resolution on individual rights will be one and the resolution drafted by Sr. Samuel Ramos will be another, contrary to what is implied at the top of page five of Political Memorandum No. 3.

9. *Motion on the importance of health in the functioning of democracy* (Moción sobre la importancia de la Salubridad para el funcionamiento de la Democracia).

This motion will express approval of the Hot Springs resolution on the subject.

10. *Motion on the political rights of women* (Moción sobre el estatuto de la Mujer en sus aspectos políticos).

Sra. Amalia C. de Castillo Ledón, Mexican delegate and Vice President of the Inter-American Commission of Women, is preparing a draft which will reaffirm the declaration on the political rights of women approved by the Eighth International Conference of American States at Lima in 1938.

11. *Motion on international disarmament* (Moción sobre Desarme internacional).

This will be a motion supporting the Dumbarton Oaks proposals on the subject.

12. *Declaration of Chapultepec or of Mexico* (Declaración de Chapultepec o de México).

According to Lic. García Robles, this declaration would synthesize the "essence" of the basic conclusions of the Conference in the different

fields. The thought is apparently to proceed inductively, rather than deductively, in the formulation of the principles of this document.

GENERAL

Lic. García Robles indicated that they are thinking of submitting just a "few" proposals, not more than the twelve foregoing under Topic II and perhaps no more than three under Topic I. He has no idea of the number for Topic III. He said the Mexican Government wants to give the other delegations an opportunity to have the initiative in proposing some of the resolutions.

[Here follows list of assignments of Mexican delegation to agenda committees.]

W. S[ANDERS]

MEXICO, D. F., February 7, 1945.

710 Conference W and PW/2-845

Memorandum Supplementary to Memorandum No. 4 by Mr. William Sanders, a Technical Officer of the Delegation

Non-intervention, the Estrada Doctrine and Democracy

In a telephone conversation on other matters today, Friday, February 9, with Lic. García Robles, it was confirmed that the information contained under item 7, page 4, of Political Memorandum No. 4⁵⁹ is correct. The thought, apparently, is to "consecrate the juridical principle of collective intervention," through the application of a procedure similar to that of CPD Resolution XXII,⁶⁰ for the purpose of determining whether a new government is loyal to democratic principles. There would be a period of delay in the establishment of diplomatic relations, during which there would be a species of provisional acceptance of the new government and during which the other governments would consult and exchange information. Diplomatic relations would or would not be "continued" or established with the new government, depending on the findings as to its democratic inclinations.

Strengthening the Inter-American System

Lic. García Robles also clarified, with respect to Item 3(b), page 3, of Political Memorandum No. 4, that the contemplated resolution would simply provide that the governments and the Juridical Committee study the possibility of strengthening the system on the basis

⁵⁹ *Supra*.

⁶⁰ For text of this resolution, see Emergency Advisory Committee for Political Defense, *Second Annual Report* (Montevideo, 1944), p. 79.

of the principle that the rotating Governing Board or general Counsel of the system should have power to consider "any question which affects the peace, the solidarity and the general welfare" of the American Republics. He stated that this formula was an amalgamation of similar provisions in the statutes of the League of Nations, the Dumbarton Oaks Proposals and other projects on world organization.

The governments would determine, presumably at the Bogotá Conference, whether the Governing Board would have a direct participation in the settlement of disputes or whether that function should be left entirely to the improved and integrated system for the pacific settlement of disputes.

W. S[ANDERS]

MEXICO, D. F., February 9, 1945.

710 Conference W and PW/2-845

*Memorandum by Mr. Merwin L. Bohan, a Technical Officer of the Delegation*⁶¹

The Department is fully aware of the forces which are at work throughout the Hemisphere to destroy the unity characterizing inter-American relations during the war period. Undoubtedly, it was the realization of this danger which prompted us, in part, to favor another meeting of Foreign Ministers. If we come to the meeting without a realistic and effective program designed to meet the problems of the transition period, the enemies of inter-American cooperation will be given a new and powerful weapon with which to attack us. Conversely, if the United States can develop a practical program, the growing fissures in the inter-American structure will be repaired and the edifice of continental solidarity strengthened to withstand the inevitable stresses and strains of postwar economic readjustment.

The Latin American delegates to the Conference undoubtedly expect to discuss and to reaffirm their support of liberal trade principles. It is safe to assume, however, that few, if any, of those delegates will place much reliance on those principles as a means of solving the immediate and grave problems which will be troubling them at the time of the Conference. Each of the countries represented is faced with the need of assuring the production and sale of certain basic commodities upon which its economic stability depends. To disregard the foregoing would be to preclude the adoption of a program holding any real hope of meeting the problems of the transition period.

⁶¹ This memorandum was enclosed in a letter to Assistant Secretary Rockefeller of February 8, 1945 (not printed); it represented the views of the Ambassador and Technical Officers Sanders, Bohan, and Machold.

The Department, to judge by its telegram 217 of February 5, 7 p. m., has made much progress in evolving a general, or long term, program, but its thinking to date with respect to a short term, or transition program, leaves much to be desired. Specific comment regarding both programs is given below:

1. *Long term program.* The proposal to present an economic charter for the Americas is a new and inspiring affirmation of the principles which should govern the American Republics in the cooperative development of our economies. In respect to point 4, it is hoped that the Department will approach the question of trade barriers in a more realistic fashion than has been the case during the last several years. There has been too great a disposition to consider our liberal trade policies as a religion or a creed rather than as a thoroughly practical and hardheaded commercial program. For example, the United States has promoted the industrialization of Latin America not only as a matter of general policy, but specifically through lending capital and technical assistance. However, when the governments of Latin America take measures to protect the industries thus created, there is a disposition to frown on all forms of protectionism. The importance of this problem has been magnified as a result of the many industries established during the war, and the United States should be prepared to define what it considers legitimate protection of industry. There are indications that this specific question may come up at the forthcoming Conference. Likewise, in our campaign against exchange controls, import controls, bilateral agreements, and other similar instrumentalities, more progress might be made if emphasis were placed on attacking and correcting the causes which lead to the imposition of such measures, rather than preaching against the evils flowing from them.

2. *Short term program.* Section B of the Department's telegram is disappointing. The main emphasis is placed on loans to finance surpluses. This approach is dangerous, unrealistic, and inflationary. It will not meet the problems of the transition period, but merely postpone them and complicate their eventual solution. There is no government in Latin America possessing the necessary stability or political courage to take the economic and fiscal steps which readjustment demands if there is even a hope of temporizing. The "stabilization" loan idea is an invitation to maintain production at levels exceeding demand. It will prolong, rather than shorten, the transition period. Furthermore, Latin American governments have sufficient resources at their disposal to finance surpluses if, individually, they wish to follow such an uneconomic and dangerous course. However, the United States should not be the one to suggest it. The real

problem is the movement of certain basic commodities into consumption, and until it is decided that it is impossible to move a sufficient volume of such products at a sufficient price to maintain the economies of the Latin American countries, no consideration should be given to other and less sound methods of approach.

A draft of a resolution entitled "Economic Cooperation to Meet the Problems of the Transition Period" is attached.⁶² The following comments with respect to the provisions of that draft are given below :

The main emphasis is placed on the marketing of commodities rather than on the financing of production. Thus, international commodity arrangements are given a prominent role in the resolution. The tenor of the Department's telegram 217 leads us to believe that the Department has certain reservations regarding such agreements and finds them somewhat distasteful, although we wish to make it clear that we have not proposed and are not proposing that the Department go any further than it did at the Hot Springs Conference. It is difficult for us to see how an orderly inter-American economy can be assured without commodity agreements being employed in a minimum number of cases, at least. In the pre-war, copper, tin, petroleum, sugar, and wheat were marketed under private or public commodity agreements. Since the outbreak of the war, the very effective inter-American coffee agreement was adopted and the United States only recently indicated its interest in a meeting to discuss cotton. In the post-war, it would appear as though the relative competitive position of certain Latin American products would be less favorable than in the pre-war. While costs in all areas have been increased, the growing demands in Latin America for better standards of living, stimulated in part by official American action, have increased costs to a considerable extent, and it is not desirable that wages be reduced to pre-war levels if this can be avoided. Hence, it will be all the more necessary that Chilean copper, Bolivian tin, et cetera, be assured of equitable world markets. If the United States does not assume leadership in the commodity agreement field, it would appear that either chaotic competitive conditions will develop in many instances, or private agreements, oftentimes disadvantageous to the consumer, will again be concluded.

Similarly, failure on the part of the United States to assume the leadership in obtaining for Latin America an equitable share of the import requirements of Europe, and cooperating in the financing of such trade, will almost inevitably lead to a renewal of the compensation agreement system which characterized trade between those areas throughout the 1930's.

⁶² Not printed.

The foregoing serves to explain the inclusion of paragraphs 1 through 4 of the draft recommendations; paragraph 5 is drawn in such a manner as to commit the United States only to the orderly liquidation of procurement programs. The inclusion of such references as "on a gradual basis over an agreed upon time", such as is contained in sub-paragraph 1 of Section B of the Department's 217, are purposely omitted. Inclusion would not only arouse too extravagant hopes on the part of the Latin American countries, but would open the door to political considerations unduly influencing the settlement of essentially economic problems.

Thought has been given to the advisability of amending paragraph 6 by making it plain that the realization of immediate development projects is dependent upon the American supply situation.

Paragraph 7 is so drawn as not to commit the United States to any given line of action but to provide for immediate consultation with governments interested in specific commodities, to the end that the precise steps necessary to assure production levels can be determined upon by mutual agreement. The underlying theory of the proposal is that actual implementation of the foregoing program should be worked out bilaterally, since the United States will have the principal responsibility. However, it may well be that at the Conference a proposal would be made and receive considerable support for charging the Inter-American Financial and Economic Advisory Committee with the study of some or all phases of the program. In view of this possibility and on the assumption that we could control whatever recommendations might issue out of the Committee, it is recommended that a formula of limited reference be studied.

It will be noted that the entire program is directed towards the marketing of products rather than financing production or stockpiling. The Department, of course, realizes that the program outlined by us is suggestive only. We have no way of analyzing it to determine if it is a workable plan. However, it is to be noted that care has been taken to make the program complementary to, and in no sense opposed to, any later world action. It would be a great mistake if the United States failed to meet the practical problems of Latin America because of vague fears that such action might complicate plans for economic cooperation on a world-wide scale.

MEXICO, D. F., February 8, 1945.

710 Conference W and PW/2-945 : Circular telegram

*The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina and El Salvador*⁶³

WASHINGTON, February 9, 1945—midnight.

For the Chief of Mission. The Department's approach to Topic II and Topic IV of the agenda for the Mexico City Conference is set forth in the following résumé. This information regarding the Department's thoughts on the political subjects and other matters is for your information only and should not be communicated to the authorities of the government to which you are accredited. It may, however, be used in your discretion as a guide, and on the understanding that it is not definitive, for your conversations with the authorities concerning the general views of this Government regarding the objectives desired to be realized at the Conference.

II. A. World Organization. It is proposed to present or support a resolution declaring the determination of the American republics to cooperate with each other and with other peace-loving nations in the establishment of a general international organization and their intention to participate in the organization and contribute to the realization of its purposes and to make available to it the facilities of the inter-American system on those matters as to which the general world organization will have responsibility.

II. B. It is proposed to present or support a single or several resolutions resolving that the inter-American system "should be further improved and strengthened" through definite measures recommended to be effected by the Ninth International Conference of American States to be held as soon as possible after the United Nations Conference. The measures provide for better definition of the functions of the Conference; strengthening of the role of meeting of Foreign Ministers by giving it additional major responsibilities in the political field, particularly with respect to maintenance of peace; assignment to Governing Board of Pan American Union of enlarged duties of a political character or in the alternative, assigning these responsibilities to a standing committee responsible to the Foreign Ministers; assigning to Pan American Union coordination of inter-American agencies and making recommendations with respect to improvement of inter-American peace instruments and the strengthening of inter-American social and economic ties; establishment of effective relationships between inter-American system and its agencies and general international organization and its agencies. Also to be presented is a resolution of reaffirmation of the basic principles of the inter-American system and

⁶³ Repeated to Argentina and El Salvador for information only.

the Atlantic Charter to manifest the beneficial results attained by the American republics through their solidarity, to suggest these principles and solidarity as an example for the rest of the world and to proclaim these principles upon which effective peace and progress must rest.

In Topics I or II it is contemplated that a resolution will be presented calling for continued measures, at least until the termination of hostilities, for protection against subversive activities of enemy countries.

IV. The American delegation will not raise the question of a review of the nonrecognition of the Farrell Government of Argentina ⁶⁴ but if this subject is brought up by other governments it is prepared to argue the case against any modification of the present nonrecognition of that regime.

It is proposed to submit under the appropriate topic resolutions advocating measures (a) for increasing and broadening the exchange of cultural information and (b) for assuring maximum freedom of access to information through the press, telegraph, radio, et cetera.

Among possible further subjects which may be included in the agenda are the following with the indicated attitude of this Government thereto.

(a) Inclusion of Canada in the inter-American system. The Department believes that the moment is not opportune to decide regarding the admission of Canada into the inter-American system but that if this question is raised at Mexico City this Government should suggest that consultations be held prior to the Ninth International Conference of American States in order to reach a decision in this connection before the termination of that Conference.

(b) Problem of recognition of American governments in exile. This Government is prepared to support a resolution which may be introduced by the Ecuadoran Government rejecting extension of recognition to governments in exile in this hemisphere.

(c) Doctrine of recognition—the "Estrada Doctrine". The Department hopes that the general adoption of the Estrada doctrine will not be pressed in as much as it doubts that the doctrine is a desirable basis for our recognition policy and particularly feels that its adoption under present circumstances might be subject to misinterpretation.

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⁶⁴ For documentation on this problem, see pp. 366 ff.

710 Conference W-PW/2-1345

Economic Memorandum No. 1 by Mr. Merwin L. Bohan, a Technical Officer of the Delegation

LUNCHEON MEETING ATTENDED BY MESSRS. ZEVADA,⁶⁵ WIECHERS,⁶⁶ BETETA,⁶⁷ ESPINOSA DE LOS MONTEROS,⁶⁸ MACHOLD, SANDERS, AND BOHAN

In answer to an inquiry as to the resolutions which the American Delegation would be interested in, we provided the members of the Mexican Economic Committee with a copy of the attached outline. All were in agreement with the subject classification but had some interesting observations to make with respect to specific subjects. It should be made clear that the observations reported below should not necessarily be taken as the attitude which will be assumed by the Mexican Delegation, but the Department will find considerable food for thought in a careful study of the various statements made by members of the Committee.

I. *War Time.*

a) *Modification of Resolution V of the Third Conference of Ministers of Foreign Affairs.*⁶⁹ We were questioned as to this modification, and upon explaining the necessity for bringing Resolution V into line with the existing situation, no objections were expressed.

b) *Bretton Woods Resolution VI,*⁷⁰ *Declaration of January 5, 1943;*⁷¹ *Gold Declaration of February 22, 1944.*⁷² No objection was expressed, and it is believed that the Mexican Delegation will go along with us on this Resolution without raising any questions.

c) *Need for continued Hemisphere cooperation in the winning of the war.* No particular interest was displayed in this subject, and there was an evident willingness to reaffirm the position previously taken by the Mexican Government in this regard.

d) *Relation of wartime controls to economic objectives of the American Republics.* At this point, the Mexicans started the ball rolling. We were questioned quite closely and asked if this were a liberal trade policy resolution. We answered that liberal trade policies as such were covered in another section of Topic III, our interest in this Resolution primarily being to affirm the intention of the American Republics to do away with wartime controls on trade

⁶⁵ Manuel J. Zevada, Mexican Under Secretary of National Economy.

⁶⁶ Luciano Wiechers, Mexican Technical Adviser.

⁶⁷ Ramón Beteta, Mexican Under Secretary of Finance and Public Credit.

⁶⁸ Antonio Espinosa de los Monteros, Mexican Director General of "Nacional Financiera, S.A."

⁶⁹ For text of the resolution, see Department of State *Bulletin*, February 7, 1942, p. 124.

⁷⁰ Department of State, *Proceedings and Documents of the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-22, 1944*, vol. I (Washington, Government Printing Office, 1948), p. 939.

⁷¹ For text, see Department of State *Bulletin*, January 9, 1943, p. 21.

⁷² 9 *Federal Register* 2096.

as soon as practicable. Both Beteta and Espinosa de los Monteros, particularly the former, observed that this was a point in which the Mexicans were exceedingly interested, since it was felt that access to raw materials, covered elsewhere, should be complemented by equality of access to manufactured products, especially machinery. The Mexicans observed that demand for industrial goods in the transition and post-war periods would outstrip supply, and that Mexico, as a raw materials producing country, was exceedingly interested in the situation. Our reply was noncommittal, and we did not go beyond observing that we recognized the problem and that consideration was undoubtedly being given in Washington to questions of ceiling prices and fair treatment of all importing countries. The interest of all members of the Committee, including Zevada and Wiechers, was such that we wished to explore this question with care. From previous conversations with the Mexicans, Machold pointed out after this meeting that the Mexican conception of equal access to manufactured products means a system of controls within the United States which would make available for export a certain proportion of American output, particularly heavy machinery. The Mexicans feel deeply their current experience with regard to textile machinery and do not think that equality of access to a long waiting list represents equality of treatment.

II. *Transition.* All agreed that the success of the coming Conference depends upon the manner in which the problems of the transition period are met, and the Mexicans emphasized the need for specific solutions and arrangements. We were at a decided disadvantage in discussing this phase of Topic III, and had to deal in such generalities that the discussion was decidedly one-sided. As a matter of fact, there was an undertone in the Mexican's approach to this problem of fear that the Conference would merely spawn another batch of resolutions. The Mexicans seemed to be fairly definite in their approach to this problem, although we gathered that there was not yet any unanimity of opinion with respect to specific means for meeting the problems of the transition period. Beteta was spokesman for the group and stated quite categorically that fairly long term government procurement contracts should be continued, especially in the minerals field, if this country and others were not going to suffer serious economic repercussions. The need for commodity arrangements was stressed, coffee again being mentioned in this particular. Our preliminary impression is that the Mexicans may be thinking somewhat in terms of regional commodity agreements rather than global ones. This is a point which must be explored further.

III. *Post War.* We explained that the topic mentioned in our outline might well be included in a single resolution or presented in separate resolutions.

a) *International.*

1. We purposely did not explore the Mexican attitude with respect to a reaffirmation of liberal trade policies as these concern quotas, tariffs, et cetera, since we sensed, especially on the part of Beteta, a feeling of opposition. When we reached this topic he immediately observed that he hoped "we did not mean the aboli-

tion of tariffs." Time being limited, we avoided any general discussion pending an opportunity of sounding out individually the other members of the Economic Committee.

2. *International Monetary Fund.* The Mexicans are in agreement and will support a resolution calling for the early creation of this Fund.

3. *International Bank.* The Mexicans will support a similar resolution respecting the Bank. However, Espinosa de los Monteros made it quite plain that the Mexicans are thinking in terms of inter-American financing of development and that they do not like the idea of having European nations passing on essentially inter-American projects. He pointed out that the Latin American nations and the United States together could not force a favorable decision. Seconded by Beteta, he held forth at considerable length on this point and indicated that while thinking had bypassed the inter-American bank as such, an "equivalent" organization should be contemplated, the RFC^{72a} being mentioned as a prototype. Zevada and Wiechers appeared to concur in general with what Espinosa had said and added that in their opinion, the RFC type of organization should take the form of an inter-American development corporation which should not have only financial powers, but also considerable resources for technical assistance, preparation of surveys, and investigation of projects. In this same connection, just before the luncheon began, Zevada and Beteta, in discussing the Joint Economic Commission with Machold, raised the question as to what kind of an organization was going to take its place.

4. *Food and agricultural organizations recommended at Hot Springs.* Merely mentioned in passing. The Mexicans seemed to be entirely agreeable to the early establishment of these institutions.

b) *Inter-American.*

1. *Principles of economic cooperation.* Beteta indicated that the Mexican Delegation was thinking in terms similar to our own in connection with the Economic Charter, and this checks with information previously given us by the Foreign Minister and already reported to the Department.

2. *Increasing standards of living.* Keen interest was shown in this topic. Beteta pointed out that there were only two ways of doing this, i.e., either through increasing the real prices of raw materials produced and exported by Latin American countries, or through diversification of production within those countries. He fears that, in the post war, the competition from colonial areas will be exceedingly dangerous not only to the economies of the Latin American countries, but to present living standards and feels that definite steps must be taken to counteract the low wages paid in colonial areas and prevent Latin American countries from drifting back into a form of colonial vasselage. It is clear that as far as Beteta is concerned, and he was not contradicted by other

^{72a} Reconstruction Finance Corporation.

members of the Committee, he is thinking in terms of continental protectionism as a basis of continental unity.

3. *Development of resources, industrialization.* This point has been commented upon elsewhere in this report, and further information with respect to Mexico's ideas will be obtained as soon as possible.

4. *Health and sanitation.* Mexico's agreement was expressed to this point and the feeling expressed that concrete results could be secured through cooperative effort, especially in the field of health and against such general maladies as malaria, social diseases, et cetera.

The Department must realize that this preliminary report makes no attempt to go into any detail, nor does it claim to reflect the considered attitude of either the Economic Committee itself, or of the Mexican Delegation. Machold has arranged for an interview with Mr. Wiechers tomorrow, and is having Ingeniero Serrano ^{72b} to luncheon on Wednesday. Just before the luncheon today broke up, it was suggested that rather than attempt to get together as a group for the next few days, it might be well if we discussed the various and sundry problems with individual members of the Committee and then meet again, since it was felt that it would be very advantageous if there could be a general meeting of minds before the Conference opened.

One point is increasingly clear to all of us. The Mexicans are going to be very much disappointed if the United States comes to the Conference prepared only to discuss the reaffirmation of liberal trade principles. They are looking for something more, and we are not only going to cause disappointment, but real skepticism as to the value of the inter-American system, if we have not made up our minds and evolved a practical and realistic approach to the problems of the transition period. Furthermore, if we expect to win sincere support for our liberal trade principles and to sidetrack many ideas which run counter to them, we must be prepared by the opening of the Conference to present a program that will establish a well defined and realistic basis which will give assurance that, through the acceptance of liberal trade policies, the problems of both today and tomorrow can successfully be met.

MEXICO, D. F., February 12, 1945.

^{72b} Gustavo P. Serrano, Mexican Secretary of National Economy and Delegate to Mexico City Conference.

710 Conference W and PW/2-1045

Draft Memorandum by the Assistant Secretary of State (Rockefeller) and the Deputy Director of the Office of American Republic Affairs (Lockwood) to the Secretary of State ⁷³

[WASHINGTON,] February 10, 1945.

Subject: Material covering Resolutions for the Guidance of the United States Delegation to the Mexico City Conference.

The following is an outline of our thinking thus far with respect to the position of the United States Delegation on the four main topics into which the agenda of the forthcoming conference in Mexico City is divided:

I. *On Further Cooperative Measures for the Prosecution of the War to Complete Victory.*

The United States Delegation should be prepared to offer resolutions pertaining to the following subjects:

(a) Control of subversive activities.

These resolutions are designed to prevent the recurrence of Axis subversive activities in this hemisphere after the war.

(b) Inter-American Defense Board.

It is desired to continue the Inter-American Defense Board until the Ninth International Conference of American States meets to decide the future of the Board.

II. *On Consideration of Problems of International Organization for Peace and Security.*

1. The Establishment of a General International Organization.

The United States Delegation recognizing that this Government, as one of the four participants in the Dumbarton Oaks Conference, is not in a position to agree to amendments to the proposals that issued from that conference, nevertheless desires that ample opportunity be afforded the delegates of the American Republics for a full and frank discussion of all matters involved in setting up a World Security Organization. To this end the United States Delegation will welcome a declaration signed by all principal delegates to the Mexico City Conference, which will include the following three points:

(a) That the American Republics desire to assist in the establishment of a general international organization which is based (1) on sovereign equality of states and (2) open to membership of all peace-loving states.

(b) That the Dumbarton Oaks proposals fulfill a desire expressed in (a) above, and

(c) That the American Republics desire to lend the support of the inter-American system to the general international organization, when established.

⁷³ Transmitted to the Secretary of State on February 16, 1945.

2. Improvement and Strengthening of the Inter-American System.

The United States Delegation maintains that the inter-American system can and should be improved and strengthened by

(a) Scheduling regular meetings of inter-American conferences every four years.

(b) Scheduling regular meetings of the Foreign Ministers of the American Republics every year. The meetings should be authorized to make major decisions in emergency matters and the deliberations restricted to urgent problems only. These regular meetings do not preclude the calling of special meetings of the Foreign Ministers whenever matters of an urgent and important nature so require.

(c) Empowering the Pan American Union to act in the interim between meetings of Foreign Ministers by implementing the authority of the Union so that it will be able to assume jurisdiction over political problems. It is intended that the Union will have direct supervision over all inter-American agencies and committees that now operate independently.

(d) Creating an Economic and Social Council subsidiary to the Governing Board of the Pan American Union, similar in structure and objectives to the body of that name set up under the Dumbarton Oaks proposals. It should be empowered:

- 1) to carry out recommendations of the Conferences of Inter-American States;
- 2) to initiate recommendations on economic and social matters; and
- 3) to collect and prepare reports on economic and social matters for the benefit of the American republics.

(e) Consolidating and simplifying the structure erected over the years for maintaining peace in the hemisphere.

3. Declaration of Principles Upheld by the American Republics.

The United States Delegation maintains that

(a) It is opportune for the American Republics in conclave to reaffirm the basic principles that govern inter-American relations and to recommend that these principles be adopted by the world at large. These principles include:

- (1) The juridical equality of all peace-loving nations,
- (2) The faithful observance of treaties, which can be revised only by agreement of the contracting parties,
- (3) International law as the basis for relations between states,
- (4) Non-intervention by any state in the internal or external affairs of another,
- (5) Renunciation of war as an instrument of national policy, and non-recognition of territorial changes effected by aggression,
- (6) The pacific settlement of all disputes which may arise between states,
- (7) Consultation between states, particularly in connection with any act susceptible of disturbing the peace of any one of them,

- (8) Solidarity against aggression,
- (9) Liberal principles of international trade, conducted with peaceful motives and based on equality of treatment and fair and equitable practices,
- (10) International cooperation for the betterment of the economic and social welfare of peoples, including adequate remuneration of labor, improvement of the standards of living, and protection and preservation of health,
- (11) The advancement of education as essential to the realization of democracy and the development of civilization and culture.

(b) The American Republics at the conference go on record as proclaiming and reasserting their adherence to the objectives and principles of the Atlantic Charter.

4. Joint Guarantee of Boundaries.

The United States Delegation maintains that the disturbance of the peace is a matter of grave common concern and wishes to see the conference go on record as recommending

(a) That each American Republic endeavor, before the convening of the ninth inter-American conference of American states, to settle any outstanding territorial dispute,

(b) That territorial sovereignty of an American state is inviolable, and

(c) That an act of aggression by one American state against another American state is an act of aggression against all American states, and

(d) The American Republics will consult immediately in such a contingency to consider means for taking common action against the aggressor, and

(e) That a resolution in the above sense be placed on the agenda of the ninth inter-American conference of American states.

5. A resolution is in an advanced stage of preparation designed to secure common agreement among the American Republics for a uniform policy in the matter of recognition of new governments established in this hemisphere. Concerned with this general problem is the principle incorporated in the so-called "Estrada Doctrine" and the matter of the recognition of American governments in exile.

III. *On Consideration of Economic and Social Problems of the Americas.*

1. War and Transition Economic Cooperation.

At Mexico City, the following assurances should be given to the other American republics:

(a) Transition of the war procurement program will be orderly, gradual, and will follow the principle of consultation.

(b) Support to provide an orderly transition from war procurement to full peace-time trade will be by means of inter-American loans to be made on a joint basis to be agreed upon between the in-

dividual country concerned and the United States, for the purpose of providing minimum essential production of particular raw materials which would otherwise unbalance the economies of certain of the other American republics.

(c) All possible assistance will be given to sound economic development to increase the productivity of the American republics and therefore improve their standard of living and buying power.

(d) When a stock-pile policy has been agreed upon by the United States and when congressional authority has been secured for stock-pile purchases, active consideration will be given to Latin American sources of supply in obtaining raw materials. In addition, procurement of raw materials for lend-lease operations in Europe or Asia, or for provision to UNRRA will be from Latin American sources to the fullest extent possible.

(e) Active assistance of an advisory character will be given those governments which require such advice in the orderly disposition of surplus raw materials.

(f) Strengthening and continuance of blacklist operations and special assistance in elimination of Axis spearheads and transfer of black-listed firms to efficient management will be actively supported.

(g) Implementation of Resolution V of Rio with respect to blacklist operations, control of looted assets, and protection against flight of enemy capital.

(h) Elimination of war-time trade controls consistent with successful prosecution of the war.

(i) Control of inflation.

2. Improvement of Economic and Social Conditions.

The following recommendations will be made at Mexico:

(a) Adoption of an Economic Charter of the Americas covering the following points:

- (1) Strengthened Inter-American Economic Cooperation
- (2) Economic Collaboration
- (3) Economy of Abundance
- (4) Equality of Access
- (5) Reduction of Trade Barriers
- (6) Private Agreements which Restrict International Trade
- (7) Elimination of Excessive Economic Nationalism
- (8) Just and Equal Treatment for Foreign Enterprise and Capital
- (9) Currency Stabilization; Endorsement of Bretton Woods Proposals
- (10) Private Enterprise and Government Operations
- (11) International Agreements to Facilitate Distribution of Production Surpluses
- (12) Labor

(b) Maintenance and Development of the Internal Economies of the American Republics:

- (1) Supply of essential materials for the war effort
- (2) Supply of capital goods during hostilities and transition period

- (3) Equality of access
- (4) Establishment of new industries
- (5) Means of encouraging industrial development through private enterprise
- (6) Technical cooperation
- (7) Equal treatment of foreign capital and skills
- (c) Cooperation in Health, Sanitation, Nutrition, and Food Supply.
- (d) Cooperation in Improvement of Transportation.
- (e) Cooperation in the Development of Tourism.

IV. *On Other Matters of General and Immediate Concern to Participating Governments.*

1. Freedom of Information.

The United States Delegation believes that it is essential for common understanding, for economic stability, and as a basis of peaceful relations throughout the world, for the conference to go on record as favoring

(a) The maintenance of the free exchange of information on a world-wide basis, and therefore

(b) Upon the termination of hostilities the American Republics will undertake to terminate those measures of censorship and press control that were instituted for purposes of wartime security.

2. Cultural Interchange.

The United States Delegation believes that peace, security, and the maintenance of inter-American solidarity depends in large measure upon a mutual understanding of the cultural life in the American Republics and therefore is prepared to recommend

(a) That the Governments of the American Republics should be requested to intensify their efforts to increase cultural interchange in the fields of science, education, and the arts.

710 Conference W and PW/2-1345: Telegram

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

MEXICO CITY, February 13, 1945—8 p. m.

[Received February 14—5:45 a. m.]

175. I have just had a talk with the Department's representatives who are here and who have been having conversations with our Mexican friends during the last days. While we have been hampered by our inability to indicate the thinking of our Government, our Mexican friends have been quite free in the expression of their views. In view of the frequent delays in the airmail, also that we are not yet altogether sure of the secrecy of our direct wire, I have asked Bohan, in view of the importance of Department's having this information without de-

lay, to transmit over the telephone the views expressed to us by our Mexican friends in the last few days without his commenting thereon.

We can secure the reaffirmation of liberal trade policies at the coming conference. This is important since it sets the objectives to be achieved, but if nothing further is offered by way of a program, it will cause the keenest disillusionment since the road by which we propose to reach those objectives is of primary interest to Latin America. To disregard implementation will actually jeopardize the ultimate and real acceptance of the principles underlying the objectives. The Mexicans are convinced that continuance of many controls, including tariffs, is essential to their protection and development for many years to come, and as these same opinions are widespread throughout Latin America, no real progress can be made unless we are prepared to present a program which is more effective in meeting transition and post-war problems than present unilateral control systems. Hence our thinking must be less adamant and we must realize that some form of protection is required to promote even economic industrialization, international agreements may be required to protect living standards and efficient utilization of exchange balances is not to be condemned per se.

Without offering constructive solutions for immediate and long term problems we are not only retarding implementation of liberal trade principles but almost certainly creating a situation on which the conference may be founded [*founder?*].

As we have continuously indicated from here, the probabilities are that the political problems before the meeting can be resolved without difficulty provided an adequately favorable atmosphere is created by the approach to economic problems.

MESSERSMITH

710 Conference W-PW/2-1445

Economic Memorandum No. 2 by Mr. Merwin L. Bohan, a Technical Officer of the Delegation

INTERVIEW BETWEEN LICENCIADO LUCIANO WIECHERS AND SANDERS, MACHOLD, AND BOHAN

We called on Licenciado Wiechers this morning and spent two hours with him. He spoke with entire frankness, and throughout the interview appeared to have a genuine desire to be of every possible assistance in arriving at a mutually satisfactory basis for consideration of the problems which will come up at the forthcoming Conference.

The fears raised at the luncheon meeting reported in Economic Memorandum No. 1 were amply confirmed. The Mexicans are not thinking in terms of early restoration of a free, competitive interna-

tional economy. Rather they envisage a period of even more rigid control of international commerce. Their approach to the problems of the transition is thoroughly realistic but the solutions proposed, while on an equally practical nature, run almost directly counter to the liberal trade objectives of the Department. Inter-American commodity agreements as a protection against colonial raw material producing areas; stimulation of strategic production (rubber, et cetera) in the Western Hemisphere as a continuing defense measure; extension of American procurement programs; protective devices for the stimulation of industry, and rigid controls over the use of accumulated gold and exchange reserves are the principal foundation points of their program.

It was obvious from the beginning of Licenciado Wiechers' conversation, that his chief preoccupation, and in this he seems to reflect the consensus in the Committee, was the effect on Mexican economy of a restoration after the war of a free, competitive market. He said that Mexico was in no position to compete with colonial areas and frankly acknowledged that the maintenance of a stable economy had to be secured by following, perhaps initially only, certain unorthodox economic principles. Thus, although Mexico was not a good agricultural zone, continued development was justified on two grounds, as follows: (1) The importance of this industry in Mexican economy, as well as in that of other American countries, required continued promotion as well as protection against colonial producing areas, and (2) the necessity of the United States, as a continuing defense measure, to assure the supply of strategic materials, favored the production of such materials in the Western Hemisphere and particularly in Mexico because of its geographic position. It was clear that Licenciado Wiechers, although expressing the majority opinion, had personal reservations as to the efficacy of this program as other than a temporary palliative. His long term solution, not only for Mexico's specific problems but for the majority of the other countries of Latin America, is the building up of a strong internal economy primarily through industrialization, which would tend to strengthen internal markets for internal production while increasing demands for United States products. Initial impetus for the industrial program would be given by utilizing accumulated foreign exchange reserves for industrial machinery and continued through the American program of capital and technical assistance.

The Mexicans are drafting resolutions on the following specific topics:

1. *Commodity agreements.* Mexican thought is directed towards assuring Latin American production against colonial competition rather than international commodity agreements in the sense con-

templated at Hot Springs. The Committee, apparently, is thinking of these agreements as both long and short term solutions, but Licenciado Wiechers, personally, while admitting their short term necessity, seriously questions their long term efficacy. Licenciado Wiechers, in explaining the position of the Mexicans, stated that it was necessary to assure the raw material producer of as square a deal as the industrial producer. He pointed out that, for all the talk of free and unhindered international trade, the prices of raw materials are generally set by the country whose labor is paid the lowest wage and works the longest hours. On the other hand, Licenciado Wiechers apparently believes that the industrial countries are able to maintain and set prices of industrial products at profitable levels, through either formal or informal arrangements. Thus, he feels that the raw material producing countries of Latin America are at the mercy, on the one hand, of the strong industrial nations which supply their needs, and on the other hand, of colonial producing areas which set world prices for the principal Latin American export products.

2. *Inter-American development machinery.* The Mexicans are keenly interested in promoting the creation of inter-American machinery to assist in the industrialization of Latin American countries. Licenciado Wiechers said that he concurs in the statements made by Espinosa de los Monteros that the development of Latin American industries and resources should not be dependent upon the concurrence of European countries.

3. *Utilization and Conservation of exchange resources.* This subject has apparently been studied in detail, and the Mexicans have arrived at definite conclusions. It was the only subject on which Licenciado Wiechers appeared to be adamant. As he pointed out, Mexico has the choice of permitting the exchange balances acquired during the war to be thrown away, in a relatively short time, on "luxury" items, or to see that these funds are utilized to purchase machinery upon which to base the future industrial economy of Mexico. He said that he would prefer to see the United States prohibit the exportation of certain articles to Mexico or to limit them to given amounts rather than for his country to set up prohibitions against their importation, and indicated that Mexico would be perfectly willing to enter into an arrangement with the United States and other supplying countries to reach this objective. At this point, we answered Licenciado Wiechers with the very strongest arguments we could marshal, and pointed out to him that it would be impossible for the United States to prohibit or limit the exportation of such products as automobiles, refrigerators, and radios to Mexico, and that we felt that the supply situation for at least two years after the end of hostilities would be such as to place a brake on the total amount of "luxury"

goods that could be supplied by the United States, and that hence, private business itself would, in effect, limit exports. To this, he answered that we probably did not know the Mexicans, since, at whatever cost, they would see to it that the present exchange resources were translated into the goods which they were so anxious to buy, and that only customs control could really answer the problem. We asked Licenciado Wiechers whether, if as a result of inter-American cooperation, it were possible to assure Mexico of a moderately favorable balance of payments during the transition period, it would not be wiser to keep away from government controls. While willing to listen to our arguments, he apparently is convinced, and we gathered that the Committee shares his ideas, that some form of control over the present exchange balances is essential in the transition and immediate postwar periods in order that the objective of securing machinery may be achieved.

MEXICO, D. F., February 13, 1945.

710 Conference W and PW/2-1445

Political Memorandum No. 5 by Mr. William Sanders, a Technical Officer of the Delegation

Licenciado García Robles stated that the actual drafting of the Mexican proposals under Topic II was well under way and that these would incorporate the ideas he had communicated to me. He stated that the Second Committee⁷⁴ had approved these ideas without substantial change.

Licenciado Moheno, Secretary of the First Committee, said that the work had not progressed beyond a simple exchange of views among the members of the Committee, but expected that by Wednesday of this week he would be able to report more definitely on what the Mexican delegation would propose under Topic I. He added that they considered that the most important problems of the topic had reference to political and military defense.

With respect to military problems, he said that the Committee was consulting the various defense agencies of the government and that among the subjects being considered were the following:

1. A proposal for some form of limited compulsory military training in each republic, in order that each country might more adequately exercise the necessary "vigilance" in and near its territory.
2. A proposal for the training of special units charged with the defense of strategic zones. Mr. Machold suggested that perhaps in

⁷⁴ On World Organization.

this connection they have in mind the continuance of such specialized training of Latin Americans in the United States as represented by aviation courses and submarine patrol. In addition such proposals might include not only the continuance but an expansion of training facilities in Latin America supported by the United States as exemplified in the aviation school at Puebla or the meteorological school at Medellín, Colombia. This may also involve the continuance in some form of military Lend Lease. Although it is doubtful that the Mexicans have this in mind, their proposal would offer a convenient hook on which some other delegation could hang a recommendation for gradual relinquishment of United States control over air and other military bases in Latin America.

3. A proposal for the establishment of factories for the local processing of strategic raw materials. There are reasons for thinking that this involves the processing of such materials in Latin America rather than within the countries to which they are at present exported. In this connection, Mr. Machold stated recently that some time back Licenciado Wiechers referred to henequen as an example of a commodity which might be processed to a greater degree than it now is within Mexico rather than in the United States.

4. A declaration of a very general character favoring a more adequate and suitable utilization (*aprovechamiento*) of strategic raw materials and labor. This is related to the previous proposal, but is much broader, including not only the idea of local processing, but of the development of strategic raw material resources within the inner lines of communication of the ultimate consumer; that is, that such resources in Latin America be favored, even though perhaps economically unsound, over African, Far Eastern, and other colonial sources.

With reference to defense against subversive activities, Licenciado Moheno was in complete agreement with the ideas, described to him in general terms, of the preliminary draft prepared in the Department. He added that the First Committee of the Mexican Delegation had been thinking of a proposal that there should be no relaxation in the emergency controls for the duration and that political defense problems of the post-hostilities period be considered.

Licenciado Moheno likewise indicated that while they had not done much thinking with respect to the protection of the interests of the American Republics in enemy territory, there had been some discussion of the desirability of creating national registers of all claims for damages held by the nationals of these Republics against the Axis. He said that such registers would facilitate the briefing of cases and would assist in sifting out locally the extravagant allegations which usually accompany claims of this character.

According to Licenciado Moheno, the Mexican Delegation will not offer a proposal on the renewal of diplomatic relations with the Axis powers or satellite states. He expressed general approval of the contents of the draft prepared in the Department, which were described to him in general terms. He did not raise the question brought up by Licenciado García Robles reported in Political Memorandum No. 4, 1st page, 3rd paragraph.^{74a}

MEXICO, D. F., February 13, 1945.

710 Conference (W and PW)/1-2445

Report by Mr. Dudley B. Bonsal, of the Office of the Assistant Secretary of State (Russell), on Preparations for the Inter-American Conference on Problems of War and Peace

WASHINGTON, February 15, 1945.

Attached is memorandum ⁷⁵ prepared by Larry Duggan and myself listing the questions which were propounded to the Ambassadors regarding the responsibilities and relationships of the Inter-American System and our proposed answers as to the U.S. position to be taken at the Mexico City Conference.

[Enclosure]

FEBRUARY 15, 1945.

PROPOSED ANSWERS TO QUESTIONS IN REGARD TO THE RESPONSIBILITIES
AND RELATIONSHIPS OF THE INTER-AMERICAN SYSTEM

I. *General Policy with regard to the Inter-American System.*

1. Should the inter-American system be strengthened and systemized with a view to improving its means for dealing with inter-American problems? If this should be answered affirmatively, there remain the problems as to the extent to which this should be done and the means of attaining this objective.

Answer: Yes. For proposed measures to be taken to strengthen the Inter-American System, see answers to the questions in Topic IV of this memorandum.

^{74a} *Ante*, p. 90.

⁷⁵ *Infra*.

II. *Relationship between the Inter-American System and the General International Organization With Respect to the Settlement of Disputes and the Maintenance of Peace and Security.*

1. At what stage or stages, and in what manner should the Security Council intervene in disputes solely between American states?

a. Should it do so if the dispute does not appear likely to endanger the peace?

Answer: No.

b. Should it do so in all disputes the continuance of which is likely to endanger the peace?

Answer: Yes, but this answer is made on the assumption that the methods of settlement available to the Inter-American System shall have first been exhausted.

c. Should it take action in a dispute the continuance of which is likely to endanger the peace, (1) at the request of one of the parties, (2) at the request of all the parties, (3) at the request of the inter-American System, (4) on its own initiative?

Answer: Yes, but this answer is made on the assumption that the methods of settlement available to the Inter-American System shall have first been exhausted.

d. Should it assume jurisdiction of a dispute between American states at any time or only after inter-American procedures have proved inadequate?

Answer: Only after inter-American procedures have proved inadequate.

2. Should the international court of justice be utilized as the judicial organ of the inter-American system?

Answer: Yes.

3. Should the inter-American system have any authority with respect to the determination, for the purposes of its own action, of the existence of a threat to or breach of the peace?

Answer: Yes, except that in the case of an actual breach of the peace the World Organization, if it is founded on the lines indicated by the Dumbarton Oaks Proposals, would have ultimate authority to determine the aggressor and the military or economic enforcement measures to be taken. The Inter-American System should be authorized either before or after a breach of the peace to make a determination with regard to the merits of any dispute and to propose measures to be taken for its settlement, which determination and proposals would be submitted to the Security Council for its consideration. It is recommended that all enforcement measures of a military nature or to be taken entirely within the Hemisphere be handled by the Inter-American System under the authority of the Security Council.

4. Should the inter-American system obtain the approval of the Security Council before taking collective action short of enforcement measures?

Answer: No.

5. Should provision be made in the inter-American system for it to employ economic measures of enforcement, with the authorization of the Security Council?

Answer: Yes.

6. Should provision be made in the inter-American system for it to employ military measures of enforcement, with the authorization of the Security Council?

Answer: Yes.

7. By what procedures should the inter-American system be brought into relationship with the general international organization, when established, with regard to the maintenance of peace and security?

Answer: Through measures adopted by the meetings of Foreign Ministers and implemented by the Governing Board of the Pan American Union. The enabling authority will presumably be given to the meetings of Foreign Ministers and the Governing Board at the Bogotá Conference.

III. *Relationship between the Inter-American System and the General International Organization With Regard to Economic and Social Cooperation.*

1. What arrangement, if any, should be provided for the facilitation or conduct of relations in the economic, social and other humanitarian fields between the inter-American system and the general international organization?

Answer: The Bogotá Conference should set up an *economic and social agency* within the Inter-American System which would operate as a part of or under the direction of the Pan American Union and which would have direct relations with the projected economic and social council for the World Organization.

2. To what extent and by what procedures should various inter-American agencies and organizations be brought into relationship with the Economic and Social Council and the General Assembly?

Answer: This would be considered at the Bogotá Conference on the basis of the world charter when drawn. Careful consideration should be given to various aspects of these relationships, and determination made as to fields (1) in which the Inter-American System should act autonomously, (2) in which it should act in cooperation with the agencies of the World Organization, and (3) in which the Inter-American System should act as the agent of the World Organization.

IV. *Adjustments in Inter-American Machinery.*

1. What reorganization, if any, is necessary in the inter-American machinery for the codification of international law?

Answer: Simplification of existing machinery for the codification of International law. Mr. Hackworth's advice would be authoritative on this point.

2. What adjustments, if any, should be made with regard to the peace machinery for inquiry, conciliation, good offices and mediation and arbitration established by various inter-American treaties and conventions? In this connection, what action should be taken with respect to the report of the Inter-American Juridical Committee on the Coordination of Inter-American Peace Agreements, submitted to the Pan American Union in March 1944 and recently transmitted by it to the American governments?

Answer: These should be simplified and brought under the authority of the meetings of Foreign Ministers and the interim authority of the Governing Board of the Pan American Union. The report of the Inter-American Juridical Committee should be revised by that Committee in the light of the Dumbarton Oaks Proposals and the World Organization Charter when framed.

3. What changes, if any, should be made with regard to the International Conferences of American States?

Answer: The resolution on the subject prepared for the Mexico City Conference recommends that these meetings be continued on a five-year basis. If it should be determined at the Conference to maintain the agenda for the Foreign Ministers on the present basis (instead of enlarging it), consideration should be given to having international conferences of American states every three years.

4. Should the institution of the Meeting of Foreign Ministers be continued and regularized on a permanent basis?

Answer: Yes, it is proposed that it be regularized on a fixed annual basis.

5. What should be the role of the Pan American Union in the inter-American system, and what changes should be made, if any, regarding the Pan American Union and existing autonomous and semi-autonomous inter-American agencies?

Answer: The Pan American Union should be the chief secretariat and fiscal agency for the Inter-American System. The Governing Board of the Pan American Union should have authority over all existing autonomous and semi-autonomous inter-American agencies. This objective can only be realized when agencies existing under treaties are brought under the aegis of the Pan American Union by the action of the ratifying powers.

6. Should a central body in the inter-American system be vested with security functions, and if so, what body should be utilized or established for this purpose?

Answer: The meetings of Foreign Ministers should be vested with security functions with the Governing Board of the Pan American Union acting as an interim body between meetings.

7. What machinery, if any, should be provided within the inter-American system in the event that it is to undertake enforcement measures under the authority of the Security Council?

Answer: Meetings of Foreign Ministers; the Governing Board of the Pan American Union; Inter-American Defense Board; and the permanent economic and social agency to be provided for at Bogotá.

8. Should the following emergency bodies be continued on a permanent basis and if so, what should be their functions, structures, and relationships?

- a. The Inter-American Juridical Committee;
- b. The Emergency Advisory Committee for Political Defense;
- c. The Inter-American Defense Board.

Answer: (a, b, and c) The foregoing agencies should be continued at least until the Bogotá Conference, which should determine their futures.

d. The Inter-American Financial and Economic Advisory Committee and related bodies.

Answer: The Inter-American Financial and Economic Advisory Committee should be reorganized and reconstituted so as to become *the economic and social agency* of the Inter-American System and an integral part of or under the aegis of the Pan American Union and having close working relations with the economic and social council of the World Organization.

9. How should any changes in the inter-American system which may be deemed desirable be brought about?

Answer: By action of the American states taken at the Bogotá Conference.

III. PROCEEDINGS OF THE CONFERENCE

710 Conference War and Post War/2-2145: Telegram

The American Delegation to the Inter-American Conference on Problems of War and Peace to the Acting Secretary of State

MEXICO CITY, February 21, 1945—midnight.

[Received February 22—5:50 a. m.]

224. From Secretary Stettinius.⁷⁶ The Inter-American Conference on Problems of War and Peace was formally inaugurated today by President Avila Camacho. In his address the President emphasized the role of democracy in the postwar world and pointed out that democracy depended on sound economic and social conditions. Only his comments that more than the opinion of the powerful must be taken into account in establishing world order and that only Argentina and El Salvador "which have a cordial place in our affection" were absent evoked any particular applause. The Venezuelan Foreign Minister's⁷⁷ reply contained nothing of special note.

In a preliminary session of chiefs of delegation in the morning, to which the press was admitted, Padilla⁷⁸ was chosen President of the Conference; Velloso (Brazil),⁷⁹ Chairman of the First Committee (prosecution of the war); Stettinius, Second Committee (world organization); Lleras (Colombia),⁸⁰ Third Committee (inter-American organization); Cuervo Rubio (Cuba),⁸¹ Fourth Committee (postwar economic and social); Gallagher (Peru),⁸² Fifth Committee (transitional economic); and Parra Perez (Uruguay [*Venezuela*]), Sixth Committee (coordination).

The Paraguayan delegate⁸³ sought to have the Argentine question discussed at this meeting even before the question of conference organization was settled. Following comments by delegates of Guatemala, Brazil, and Costa Rica, as well as Ambassador Castillo Nájera,⁸⁴ the question was referred by majority vote to the steering committee.

Following this conference I had a very cordial talk with President Avila Camacho.

⁷⁶ Secretary Stettinius headed the American delegation, and in his absence the Under Secretary, Joseph C. Grew, was Acting Secretary. Telegrams from the American delegation were transmitted by the Embassy in Mexico, but the Ambassador's signature is being omitted.

⁷⁷ Caracciolo Parra Pérez.

⁷⁸ Ezequiel Padilla, Mexican Minister for Foreign Affairs.

⁷⁹ Pedro Leão Velloso, Brazilian Minister for Foreign Affairs.

⁸⁰ Alberto Lleras Camargo, Colombian Minister for Foreign Affairs.

⁸¹ Gustavo Cuervo Rubio, Cuban Minister of State.

⁸² Manuel C. Gallagher, Peruvian Minister for Foreign Affairs and Worship.

⁸³ Celso R. Velásquez, Paraguayan Ambassador to the United States.

⁸⁴ Mexican Ambassador to the United States.

The Colombian delegate has unofficially handed us a copy of the Colombian proposals regarding joint guaranty of territorial integrity.

We are relying upon you to inform the President of the above. [Stettinius.]

710 Conference (W & PW)/2-2345: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 23, 1945—1 a. m.

[Received February 23—1 a. m.]

235. From the Secretary. A meeting of the Steering Committee of the Conference was held at Chapultepec Castle at 11 o'clock. A number of resolutions by others of the American Republics were presented and were passed on verbatim to members of the Committee for reading and study. Of these resolutions two were presented by the Cuban delegation, one of them outlining extensively the rights of nations and the other no less fully defining the rights of individuals.

The other business which was to have been transacted at Chapultepec this morning was deferred.

Following the reception offered by the Mexican President at the National Palace, a luncheon meeting of the Steering Committee of the United States delegation consisting of myself, spokesmen for the United States on the various committees (Rockefeller, Berle, Clayton, Taylor, and Hackworth) together with Messersmith, Pasvolsky, Warren and Rayner was held.⁸⁵ At this meeting the status of the various resolutions to be introduced by the United States was reviewed and a clearance system was agreed upon. Resolutions are due for submission on or before Saturday night. In view of the fact that Mr. Clayton had just arrived, it was decided to ask for an extension of time until Monday for some of the economic resolutions. A discussion took place with regard to the desirability and possibility of placing certain of the United States resolutions with other delegations from the American Republics for introduction to the Conference.

At the plenary session this afternoon the Mexican Foreign Minister gave an extemporaneous address in which, in outlining what he hoped the Conference would achieve, he stressed those measures which he felt would be of lasting benefit to the common man in the Americas. His speech laid great emphasis upon the Conference achieving practical results which would effect as great a defense of unity in peace as

⁸⁵ Nelson A. Rockefeller, Assistant Secretary of State; Adolf A. Berle, Jr., Ambassador to Brazil; William L. Clayton, Assistant Secretary of State; Wayne C. Taylor, Acting Secretary of Commerce; Green H. Hackworth, Legal Advisor of the Department of State; George S. Messersmith, Ambassador to Mexico; Leo Pasvolsky, Special Assistant for International Organization and Security Affairs; Avra M. Warren, Director, Office of American Republic Affairs; G. Hayden Raynor, Special Assistant to the Secretary of State.

had been achieved during the war. He was warmly applauded throughout and his reference to the desirability of the industrialization of the American Republics evoked very considerable applause. In this latter connection he said that it was vital for the Americas to do more than produce raw materials and live in a state of semi-colonialism. His address was helpful and its tone restrained.

I delivered my prepared address and references in it to Cordell Hull and the President were met with enthusiasm. The delegates appeared to appreciate our declared intention not to permit any further extension of Nazi or Fascist doctrine in the Americas and in reference to the necessity of upholding the equal rights of all nations large and small was well received. The speech was translated as delivered. It is my belief that the delegates appreciated this forthright outline of the major points of United States policy and the choice of this Conference as the forum for as important a declaration by this Government.

Addresses were also delivered by the chiefs of delegations from Uruguay,⁸⁶ Cuba and Ecuador.⁸⁷

Please repeat to the President. [Stettinius.]

710 Conference (W & PW)/2-2345 : Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 23, 1945—1 a. m.

[Received 1 : 16 p. m.]

236. For the Acting Secretary only from Secretary Stettinius. Will you be good enough to have the map room⁸⁸ send the following message to the President⁸⁹ as from me :

"In plenary session this afternoon, there were several commendatory references to the United States. Padilla said the United States should be given homage of gratitude as it had borne the greatest burden of the war. The Uruguayan Foreign Minister⁹⁰ paid a tribute to you which was soundly applauded. My reference to you in the opening of my talk and also a statement I made as to how greatly the success of the Crimea Conference⁹¹ was due to you were enthusiastically received. You received a great tribute. The Conference is off to a good start."

[Stettinius]

⁸⁶ Jacobo Varela, former Uruguayan Minister for Foreign Affairs.

⁸⁷ Camilo Ponce Enríquez, Ecuadoran Minister for Foreign Affairs.

⁸⁸ Communications and files center at the White House.

⁸⁹ The President was at sea returning from the Yalta Conference.

⁹⁰ Presumably the former Foreign Minister, Jacobo Varela.

⁹¹ For documentation on the Yalta Conference, see *Foreign Relations*, The Conferences at Malta and Yalta, 1945.

710 Conference (W & PW)/2-2345: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 23, 1945—11 p. m.

[Received February 24—7:46 a. m.]

243. From the Secretary. The following are the most important developments today at the Inter-American Conference on the Problems of Peace and War.

The Steering Committee of the Conference met this morning and assigned numbers of resolutions to the appropriate committees⁹² of the Conference. The Steering Committee also agreed to extend until Monday the time for the introduction of resolutions by the delegations.

Committees met at noon. Committee No. I on Inter-American Military Cooperation during War and Peace under the chairmanship of the Brazilian Foreign Minister, elected the Panamanian delegate⁹³ Vice President and Ambassador Berle, reporter.

Committee No. II on international organization met at noon under my chairmanship. I made the following remarks in opening the first meeting: "This moment takes me back to the weeks that I presided at Dumbarton Oaks.⁹⁵ I am confident that the results of these deliberations that will take place in this historic castle will prove as valuable to the world of the future as the results of the Dumbarton Oaks Conference."

Dr. Belt,⁹⁶ delegate from Cuba, was elected Vice Chairman and the Venezuelan Foreign Minister, reporter. The Mexican delegation stated that it desired to introduce the observations drawn up by the Mexican Foreign Office with regard to the Dumbarton Oaks proposals.

At my suggestion the committee agreed to the appointment of a sub-committee under the chairmanship of the Venezuelan Foreign Minister to analyze the resolutions thus far presented and to report to the full committee at the next meeting tomorrow. Members of the sub-committee in addition to the Venezuelan Foreign Minister are delegation members from Cuba, Mexico, Brazil and the United States.

Committee No. III, which concerns itself with the Inter-American system, elected Sr. Escudero⁹⁷ of Ecuador as Vice President and Sr. Anderson⁹⁸ of Costa Rica as reporter.

⁹² For a narrative account of the work of the Committees, see Department of State, *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, February 21-March 8, 1945*, pp. 8-36.

⁹³ Roberto Jiménez, Panamanian Minister for Foreign Affairs.

⁹⁵ For the conversations at Dumbarton Oaks, see *Foreign Relations*, 1944, vol. I, pp. 713 ff.

⁹⁶ Guillermo Belt, Cuban Ambassador to the United States.

⁹⁷ Gonzalo Escudero, Ecuadoran Minister to Uruguay.

⁹⁸ Luis Anderson, former Costa Rican Secretary for Foreign Affairs.

The only important matter which came up was the Uruguayan delegate's proposal for a permanent subcommittee to consider immediately the Uruguayan project for an Inter-American security pact. It was agreed that this proposal could be properly handled by a subcommittee previously created consisting of delegates of the United States, Cuba, Mexico, Brazil, Nicaragua, and Uruguay. No chairman of this subcommittee has yet been appointed.

Committee No. IV on postwar economic and social problems, met very briefly, and discussed what subjects would be proper for the present Conference to consider and what subjects should be held over for the forthcoming technical economic conference to be held in Washington in June.⁹⁹

In Committee No. V, on economic problems of the war and transition period, the chairman, Dr. Gallagher, Peruvian Foreign Minister, made some interesting observations. He stressed that the raw material producing countries had made the greatest possible effort on behalf of the United Nations to produce strategic materials and had lived up to their contracts. He added that in facing the transition period from war to peace it was his opinion that the purchasing countries had assumed reciprocal obligations versus the raw material producing countries and he made the suggestion that for the transition period present contracts be extended or new contracts negotiated.

Delegate of Dominican Republic¹ was elected Vice Chairman of this committee and the delegate of Chile² was named reporter. Two sub-committees were appointed; one comprising the delegates of Venezuela, Guatemala, and Colombia to consider the economic problems of the war, and the other to be formed by the delegates of Brazil, Uruguay, and Ecuador to report on economic problems of the transition period.

Committee No. IV agreed to a joint meeting with committee No. V on Tuesday, February 27.

Following the committee meetings at Chapultepec, I held a press conference at the headquarters of the United States delegation and invited all members of the Mexican and Foreign Press to be present. At this time there was released to the press the draft resolution of the United States delegation entitled "The Employment [*Improvement*] and Strengthening of the Inter-American System", as well as our resolution concerning free access to information.³

⁹⁹ For documentation on the proposed conference, see pp. 172 ff.

¹ Manuel A. Peña Batlle, Secretary of State for Foreign Affairs.

² Joaquín Fernández Fernández, Minister for Foreign Affairs.

³ For draft resolutions, see Department of State, *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace*, pp. 193 and 194.

During the question period I was asked whether I had any remarks which I cared to make with regard to the Argentine. I said that I had nothing to say on this matter. A second question related to whether or not anything definite had been decided with regard to the voting procedure which was discussed at the Yalta Conference. In answering this question I said: "Discussions with China and France as agreed upon at Yalta have not yet been completed and it is impossible for me to discuss the matter at this time".⁴ The only other question which arose and in answer to which I expressed an opinion was whether I anticipated any serious obstacle to the integration of the Inter-American system into the world organization. I said: "I do not anticipate any trouble".

In reviewing the day's activities I feel that the work of the committees got under way with dispatch. The committees have now been set up, procedures defined, and I believe that the atmosphere is good.

Please repeat to the President in condensed form. [Stettinius.]

710 Conference (W & PW)/2-2445: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 24, 1945—1 a. m.

[Received 7:15 a. m.]

245. For Grew only from the Secretary. Please be good enough to have the map room transmit the following message to the President as from me:

"The following message from you was read at this afternoon's plenary session of the Mexico City Conference:

"The assembling of the Conference of the American Republics on Problems of War and Peace moves me to send cordial salutations to you and my felicitations to the Government and people of Mexico as hosts to this significant meeting. Will you please communicate to the delegates my greetings and confident anticipation of notable accomplishment. Since the days of their independence the American Republics have tirelessly explored every pathway to human freedom, justice, and international well-being, and today the common men of all peace-loving nations look to them and you for light on the arduous road to world peace, security, and a higher level of economic life. By their moral purpose, their intelligent efforts, and their friendly spirit they will make common cause among themselves and with other nations to attain the noblest objectives of human aspirations. Franklin D. Roosevelt."

We all enjoyed hearing it."

[Stettinius]

⁴ See Report of the Crimea Conference, Section IV, *Conferences at Malta and Yalta*, p. 968.

710 Conference W and PW/2-2445: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 24, 1945—6 p. m.

[Received February 25—1:26 a. m.]

250. From the Secretary. Following is a summary of developments at the Inter-American Conference on Problems of Peace and War from noon on February 23 to 2 p. m. on February 24, 1945:

A plenary session of the Conference was held on the afternoon of February 23. Messages from several heads of governments of the American Republics, among them one from President Roosevelt, were read and recorded. Formal addresses were made by the Chairman of the Peruvian delegation and the delegates from Brazil and Honduras.

The committees on intensification of the war effort (Committee No. I) and Committee No. II on world organization were the only committees of the Conference that met on Saturday February 24. Both Committees concerned themselves with organizational and procedural matters and nothing of major importance developed.

The subcommittee of Committee No. II of the Conference held two meetings yesterday to consider the scope of its work in reporting to the whole Committee on matters connected with world organization. The United States spokesman on this subcommittee, Mr. Pasvolsky, was asked how far the United States was prepared to go in making recommendations regarding the Dumbarton Oaks proposals. Pasvolsky said that it was the view of the United States delegation that ample opportunity should be afforded delegates from the other American Republics to express their views in regard to the Dumbarton Oaks proposals and that these views would be of considerable help in view of the forthcoming conference in San Francisco. The subcommittee decided to request that delegations submit their views in regard to the Dumbarton Oaks proposals by Tuesday evening of next week at the latest in order that a summary with recommendations could then be made for discussion in the Second Committee as a whole. This decision was ratified by the Second Committee at its meeting this morning.

There are no other meetings of the Conference scheduled until Monday morning February 26.

Repeat in your discretion to the President. [Stettinius.]

710 Conference (W & PW)/2-2645: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 26, 1945—midnight.

[Received February 27—11:55 a. m.]

256. From the Secretary. Members of the United States delegation met at 9 a. m., February 24th. General Embick announced that joint Chiefs-of-Staff were in agreement that the Colombian resolution regarding non-aggression was entirely satisfactory in that if approved it would constitute a regional pact which could be integrated into the world security system. General Embick will consult with the Secretary at the earliest opportunity concerning this matter.

Mr. Rockefeller reported that Argentine influence seeking to break up the solidarity with which the principal American Governments view the Argentine Government was meeting with no success. United States Steering Committee met at Reforma Hotel 2 p. m., February 24 discussing fully topics of Inter-American solidarity. General Embick, Dr. Pasvolsky and Judge Hackworth joined in free discussion outlining respectively the importance of this subject from a military, political and economic viewpoint. It was determined that the solidarity of the Americas is essential to the defense of the United States.

There followed a discussion concerning the feasibility of accepting the Uruguayan and Colombian proposals. The Colombian proposal provides for collaboration of the American Republics against any active aggression; and a saving clause encompasses modification upon the creation of a world organization. Ambassador Berle and Judge Hackworth will consult between themselves and with Dr. Pasvolsky on the matter of immediate application of the Colombian resolution, which provides for joint alternative action against an aggressor following consultation.

Resolution regarding military cooperation also was approved by this Committee.

1. Sub-committee of Committee III (Inter-American system) dealing with matters pertaining to Inter-American organization conducted a discussion concerning the proposals relating to Inter-American solidarity against aggression made by Uruguay, Brazil and Colombia. A sub-committee composed of representatives of Colombia, Uruguay, Brazil, Mexico and the United States was appointed to consider these proposals.

Committees IV and V on postwar economic and social problems of the war and transitional period were instructed to continue their discussion of economic topics, and Mr. Clayton will on Tuesday February 27 make a statement of principles underlying Inter-American economic relations.

At a meeting of the Steering Committee of the Conference held at 10:30 a. m., February 26 Dr. Padilla, the Chairman, announced that certain groups are exerting considerable pressure to the end that the Conference resolve upon a break with Spain. He said that Mexico would not be involved in such a contingency since his country maintains no diplomatic relations with the Spanish Government. He added his opinion that the matter might possibly be satisfactorily disposed of by a statement that the Conference does not deal with matters in which this Continent is not involved. The Uruguayan delegate held that the Conference should pass a resolution welcoming the establishment of a democratic system in Spain, alleging that this would be desirable because of the interest in Spanish affairs of the American nations who are actively engaged in the war, and in view of Spain's proximity to a theater of the war but he expressed the belief that any country regardless of its location has a full right to oppose the establishment or continuation of a Nazi or Fascist Government wherever this might be. He preferred to use the term "Democratic system" rather than "Republican", since it would permit Spain to establish a constitutional monarchy if that is what it desires. A full discussion resulted in the unanimous adoption of Dr. Padilla's suggestion, and the Uruguayan delegate withdrew his views.

Please repeat essence of this and future summaries to President. Also, I suggest if not already done that this summary and previous and future ones be turned over to information committee for preparation of appropriate circular information telegrams to our missions in the American Republics. [Stettinius.]

710 Conference (W & PW)/2-2745: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 27, 1945—7 p. m.

[Received February 28—3 a. m.]

267. From the Secretary. February 26 was final day for introduction of resolutions. Total introduced and taken cognizance of now approximates 155. United States delegation introduced yesterday one further resolution, raising its total to 11. Titles of all United States resolutions are as follows: Improvement and strengthening of the Inter-American system; free access to information; elimination of remaining centers of subversive influence and prevention of admission of dangerous deportees and propagandists; wartime trade controls in relation to basic commercial policy; cooperation in health, sanitation, nutrition and food supply programs; social questions; social security; the admission and surrender of war criminals; economic charter of

Americas; maintenance and development of the internal economies of the American Republics; and Inter-American defense board.

In addition United States delegation has made arrangements for resolutions to be introduced as follows:

1. Supporting world security organization.
2. For Inter-American military cooperation.
3. On *SAFEHAVEN* matters.⁵
4. Supporting Atlantic Charter.⁶

Developments in past 24 hours by committees:

Committee I has been giving consideration to general resolutions regarding military cooperation.

Committee II has not met. Other delegations are preparing written statements of their positions respecting world security organization which are due for presentation to a subcommittee tonight.

Committee III (a) Mexico has introduced a resolution on the Inter-American system providing for very considerable modifications and substituting for the governing board of the Pan American Union a new ambulatory council to meet every 6 months in a different capital and to consist of *ad hoc* representatives. Both in political and economic fields there is a tendency to present proposals creating a variety of new agencies. United States position is to build on and consolidate existing structure. (b) Mexico has introduced a long resolution dealing with the recognition of new governments and providing for provisional 30 day recognition during which any republic can file an objection and call for consultation. (c) Revised resolution for joint action against aggression was brought before full Committee III. This revised resolution had been prepared by a subcommittee and was composite of the proposals made by Colombia, Uruguay and Brazil. A move to place the Committee on record as approving it by acclamation was arrested by the U.S. delegation. Senator Austin spoke for the delegation, mentioning the absence of any English text, the need for opportunity to study it, and the desirability of awaiting tomorrow's arrival of Senator Connally.⁷

Committees IV and V. United States position on major subjects in the economic field was presented this morning in the form of a statement read by Mr. Clayton before Committees IV and V meeting in joint session. It was received with applause and is believed to have made an excellent impression. This statement had been presented to

⁵ For documentation on this subject, see *Foreign Relations*, 1944, vol. II, pp. 213 ff.

⁶ Joint statement by President Roosevelt and British Prime Minister Churchill, August 14, 1941, *ibid.*, 1941, vol. I, p. 367.

⁷ Warren R. Austin, and Tom Connally were members of the Committee on Foreign Relations of the United States Senate. At the Conference they served as Special Congressional Advisers.

American press representatives yesterday afternoon with full opportunity for background questions and discussion.

At a before luncheon press conference today, the representatives of farm groups, business, and labor expressed their views with regard to this statement of Mr. Clayton. All these representatives were unanimous in their expression of appreciation for the opportunity to participate in the preparation of this statement and in their endorsement of its principles. Members of the press expressed great interest in and appreciation of this meeting of the minds of different sectors of American economic life with the representatives of government.

At Conference Steering Committee meeting this morning a Cuban resolution calling for restoration of Poland's traditional boundaries was withdrawn as not within the scope of the Conference; a Chilean resolution calling for an expression of appreciation to Canada and an invitation to her to join the Pan American Union was deferred for further study and redrafting at Mr. Rockefeller's request.

Please repeat to the President. [Stettinius.]

710 Conference W and PW/2-2845: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, February 28, 1945—5 p. m.

[Received March 1—12: 47 a. m.]

278. From the Secretary. There has continued very favorable reaction to Mr. Clayton's statement both among the delegates and in the local press.

Committee I is proceeding smoothly on resolutions for military cooperation and against subversive activities. It expects to complete its work this week. Negotiations continue looking to the withdrawal of Cuban resolution for declarations of war by all American Republics on both Germany and Japan.

Committee II has now received all comments on Dumbarton Oaks and a subcommittee commenced consideration of them this morning.

Committee III continues consideration of three main proposals now before it, namely, (a) joint action against aggression (b) strengthening of inter-American system and (c) recognition of governments. As to (a) the United States delegation with Senator Austin is working on a revision to bring the proposal within constitutional limitations and will discuss it with Senator Connally on his arrival this afternoon. As to (b) a draft was prepared last night combining features of United States and Mexican proposals. This draft was approved by a subcommittee today, but there is considerable opposition among representatives of some of the American Republics because the revised

draft includes a Mexican provision that the members of the governing board of the Pan American Union shall not be the same persons as the Ambassadors accredited to the United States. In approving this draft of resolution the subcommittee expressed the belief that it took care of all other proposals for changes in the inter-American system. As to (c) the Mexicans this morning withdrew their proposal. This is regarded as most helpful as the Mexican draft contained rather broad and vague provisions regarding conditions of recognition which might have caused trouble.

At this morning's meeting of the subcommittee of Committee III there was considerable discussion of the inter-American Juridical Committee.

Committees IV and V have been engaged in the preparation of draft resolutions incorporating the principles laid down in the statements of the Secretary and Mr. Clayton together with the appropriate items from proposals of other American Republics.

The United States members are delaying decisions on proposals of other delegations for the creation of new economic agencies pending decisions in Committee III on the organization of the inter-American system.

This morning Subcommittee III of Committee IV on transportation was organized and received a number of resolutions going into considerable detail with regard to shipping, aviation, rates, labor conditions, et cetera.

This morning Subcommittee IV of Committee IV also met and commenced consideration of the economic charter. In the first morning's discussion there was a general disposition to accept the principle of lowering trade barriers, but each country indicated its desire to decide individual cases by itself on a unilateral or bilateral basis. Mr. Chavez,⁸ the Peruvian representative on this subcommittee, was most helpful.

There are strong indications that the coffee countries will present in the next day or so some manifesto or resolution calling for an increase in coffee prices.

Please repeat to the President. [Stettinius.]

710 Conference (W & PW)/3-145: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 1, 1945—11 p. m.

[Received March 2—5:30 p. m.]

291. From the Secretary. Senator Connally arrived late yesterday afternoon and was met by the Secretary at the station. He attended

⁸ Juan Chávez, Peruvian Minister-Counselor in the United States.

this morning's meeting of the United States delegation which he addressed briefly stressing his interest in the success of this and the San Francisco Conference.

The subcommittee of Committee I has now prepared and approved resolutions (1) on military cooperation; (2) on subversive activities; (3) on war criminals. These resolutions amend those submitted by the United States delegation to incorporate provisions from other resolutions. In fundamentals there has been no departure from the United States point of view. This Committee has had a minimum of problems.

Committee II postponed until tomorrow its meeting scheduled for today to receive and discuss the views of the various Republics on the Dumbarton Oaks proposals. The postponement ostensibly because of a luncheon given in Cuernavaca by the Mexican Minister of Economy⁹ to which the Secretary and other delegates have gone. In fact the postponement was requested by the United States since the Secretary was not yet in a position to announce invitations to San Francisco and the voting procedure in security council.

So far all has gone smoothly with this group with the following exceptions:

(a) The United States delegation arranged with the Mexicans that they should present the United States draft resolution for approval of Dumbarton Oaks. This the Mexicans first did saying it was "on behalf of the United States". As this was contrary to the understanding, the resolution was withdrawn. It has not since been introduced apparently because of differences within the Mexican delegation. Instead the Mexicans introduced a rather hostile resolution attributable to Castillo Nájera. But Ambassador Messersmith is confident that at the right moment Padilla will come through with the resolution of approval.

(b) Gutierrez,¹⁰ a member of the Cuban delegation made a long speech in subcommittee yesterday attacking the plan of Dumbarton Oaks. Since, however, the Cuban delegation appears not to function as a unit, this is regarded as a purely individual performance.

(c) Brazil has introduced a proposal, which seems to have some support, that the world organization shall have no jurisdiction over hemisphere matters unless they directly affect the rest of the world.

On the whole, confidence is felt that the work of this Committee will result in a satisfactory conclusion.

Committee III commenced this morning a paragraph by paragraph consideration of the revised resolution on strengthening of the inter-American system which was prepared by the subcommittee

⁹ Gustavo P. Serrano.

¹⁰ Gustavo Gutiérrez Sánchez, Secretary of the Cuban Board of Economic Warfare.

and incorporates some of the Mexican proposals into that submitted by the United States. Principal changes from United States draft were:

(1) Prohibition against Ambassador's serving on governing board of Union. The theory of Mexicans is that Ambassadors are too much under thumb of United States. As indicated yesterday, there is strong opposition to this from a number of countries, particularly small ones, on ground of cost of maintaining two persons of Ambassadorial rank in Washington and on ground of possible conflict between Ambassador to United States of a country and its representative on board. We have taken neutral position on this considering it as a matter for Latin American countries to decide for themselves.

(2) Provision limiting term of Director General to 10 years and prohibiting his reelection or election of person of same nationality to succeed him. This has seemed satisfactory to us.

(3) The principal changes in the system are made effective immediately without waiting for ninth conference of American States.

(4) The Pan American Union is directed to prepare a charter setting forth adherence to international law, and declaration of the rights and duties of man and of states using the inter-American juridical committee and other organizations. This is to be submitted to the governments by December 1, 1945.

(5) Ninth conference of American states is set for 1946 and is to consider the above charter.

On the whole we regard the above as a satisfactory compromise since it preserves the Pan American Union, the traditional inter-American system, and Washington as the seat of the Pan American Union. They adhere to the fundamentals for which we have stood.

The proposed education and culture council of the Pan American Union was eliminated since there appeared a tendency to hitch to it all kinds of specialized provisions and duties.

Consideration of the resolution for joint action against aggression has been deferred until tomorrow in order to give Senator Connally time to crystallize his views. At a United States delegation Steering Committee meeting this morning this proposal was gone over in detail with Senators Connally and Austin.

There is great enthusiasm for this resolution among the Latin American countries, partly directed against Argentina and partly as a symbol of solidarity. Both in the press and in conversations, United States support of this proposal, now called "The Declaration of Chapultepec", is regarded as one of the keystones of the Conference. We believe it important that the United States should support this proposal which we have endeavored to so modify with the cooperation of Senator Austin and Mr. Hackworth as to avoid constitutional difficulties and to avoid any conflict with world organization. We are awaiting the opinion of Senator Connally after which we will clear with President before acting.

In the economic field, until yesterday there was a tendency to mark time waiting for Mr. Clayton's statement. A number of resolutions were introduced and the press has been full of rumors and interpretations but the real work only commenced yesterday and is continuing today with basic discussions in subcommittees pointing up Latin American desires for US commitment to continue purchases and United States unwillingness to go beyond Clayton's statement.

In Subcommittee A of Committee V yesterday afternoon appeared the expected coffee price issue¹¹ with 2 hours of statements asking a United States price rise. Further discussion this morning points to agreement on a resolution saying that prices should be fair to both producer and consumer. In this, as in other economic fields, there seems no disposition to force issues over our opposition.

In Subcommittee B of Committee V yesterday afternoon the issue of continuation of United States purchases of Latin American products was presented in the form of a suggested draft of resolution combining all the suggestions of various selling countries. The United States delegation met last night to consider this proposal in detail and map strategy. The basic discussions are going on today.

In the subcommittees of Committee IV, there has been unanimity on social resolutions but argument over various restrictive measures designed to protect Latin American infant industries, balances of foreign exchange, and restrictive measures against foreign capital. These discussions have continued today and are believed to be going satisfactorily. There are strong signs that the other American Republics want to go along with us on the principle of freedom of international trade but to insert all sorts of individual specialized reservations.

With reference to [your?] memorandum of February 27 to Raynor,¹² please wire if this telegram meets the Department's requirements.

Please repeat to the President. [Stettinius.]

710 Conference (W & PW)/3-245: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 2, 1945—8 p. m.

[Received March 3—8:01 a. m.]

301. From the Secretary. Please repeat to the President. Except in the economic field, work was suspended yesterday afternoon be-

¹¹ For documentation on the interest of the United States in the problems of the Inter-American Coffee Board, see pp. 351 ff.

¹² Not printed.

cause of the luncheon given in Cuernavaca by the Minister of Economia.

In all committees, except Committee I, the issues are coming to a focus and tenseness is obvious. Today and tomorrow should bring forth the essential debate.

Committee I this morning approved three resolutions: (1) to extend the life of inter-American Defense Board pending the establishment of the permanent military organization provided for in a resolution which was approved at an earlier meeting; (2) a resolution on the elimination of remaining centers of subversive influence and prevention of admission of deportees and propagandists following the general lines of the proposal submitted by the United States; (3) a declaration and resolution on war crimes in the form proposed by the United States but with the addition of a paragraph expressing adherence to the United States-British-Russian declaration of October 1943.¹³ This apparently concludes the work of Committee I. Committee II is expecting to commence discussions of the subcommittee report this afternoon. There has, as yet, been no agreement with the Mexicans on the final resolution although confidence is felt with regard to this by those of the United States delegation on Committee II. It has not been possible to sit down on a draft of final resolution until the terms of the invitation to the San Francisco Conference are out. The disturbing factor is that Padilla does not appear to be entirely in control of his own delegation. The Cubans, whose delegation is also not a unit, are pressing for permission for every delegate to have free opportunity to make speech of 10 minutes on the Dumbarton Oaks proposals.

Committee III approved the remainder of the resolution on the inter-American system. It had been expected that the smaller states would object strongly to the provision for *ad hoc* members of the Pan American Union Governing Board. Honduras, Nicaragua, and Haiti did oppose this provision but received no support from other countries and the provision was approved. Our representatives did not participate in this discussion. In the course of the discussion the Chilean representative said that his Government would object to granting political powers to the Pan American Union if a provision for *ad hoc* representatives was eliminated. The Brazilian delegate objected to the provision forbidding the reelection of the Director General but received no support. Oreamuno¹⁴ of Costa Rica proposed that the Inter-American Economic and Social Council¹⁵ be made independent

¹³ Department of State *Bulletin*, November 6, 1943, p. 307.

¹⁴ J. Rafael Oreamuno, former Costa Rican Minister to the United States.

¹⁵ Created pursuant to Resolution IX, paragraph 7 of this Conference. For text, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace*, p. 44; for documentation on the Council, see *post* pp. 172 ff.

of the Pan American Union. This was not approved but the Committee voted that the representatives on the Inter-American Economic and Social Council should be appointed by the respective governments. One of the feminine members of the Mexican delegation, with the support of Miss Beinafdino¹⁶ of the Dominican Republic, persuaded the Committee to include in the resolution a provision for the continuance of the Inter-American Commission of Women.

In Committees IV and V the major developments have been that yesterday a small drafting group, including United States representatives, worked together all day on a proposed resolution covering continuance of wartime purchases during the transition period, export of capital goods, and the elimination of wartime controls. The major issue concerns the continued purchases of materials. This draft was further revised this morning and currently provides that reductions in purchases will be carried out in cooperation with the sellers and in such a manner as to maintain the essential stability of the economies of the selling countries. To the extent necessary, legislation in support of this agreement will be sought. The proposal is presently the subject of intensive study by the United States delegation. It is a crucial item. Some of the other delegates say that they had hoped to receive concrete assurances with respect to specific commodities.

In the field of exports of goods in short supply, some of the delegates from the other American Republics express the fear that the United States is not keeping faith with its obligations under the Rio resolutions¹⁷ and that we should guarantee to them their fair share of exports throughout the full transition period. The resolution covering this subject is still the subject of discussion.

This morning Subcommittee A of Committee V completed its reports. It passed four resolutions: the first on prices for purchases of commodities (the coffee issue) along the lines mentioned in yesterday's telegram. The second was United States originated proposal for modifications of Rio resolution V. The third called for further cooperation in the prosecution of the war. The fourth covered Axis funds and property.

As to Axis funds and property, Mr. Cox¹⁸ made a strong statement on the importance of getting looted property into the hands of rightful owners, of stopping the flight of Axis capital, and of elimi-

¹⁶ Presumably Minerva Bernardino, President of the Inter-American Commission of Women.

¹⁷ For resolutions of the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, see Department of State *Bulletin*, February 7, 1942, pp. 117 ff. For documentation concerning the meeting, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

¹⁸ Oscar Cox, Deputy Foreign Economic Administrator.

nating Axis interests now in the hemisphere. This statement was released to the press today.

All representatives connected with this matter have expressed great pleasure at the explicitness of the resolution adopted.

The Economic Charter is meeting some opposition principally in Mexico itself. Individual business groups have asserted their opposition to free international trade and in favor of local protection. This morning the CTM¹⁹ came out with a full page advertisement, declaring that they are allying themselves with "the progressive industrialist" in opposition to the "archaic policy of free trade and charging that the Economic Charter does not guarantee the weaker countries of America a right to obtain the equipment which the United States ought to provide to Latin America for its rapid economic development. The labor advisers to the delegation, on an early consideration of this advertisement, stated that they could not see in it any real labor angle but only an issue of nationalism. Discussion of this Mexican opposition in this morning's United States delegation meeting indicated that it represented a combination of nationalistic feeling, plus local politics, namely, opposition to Padilla. An important fact not to be overlooked in this connection was the arrival in Mexico yesterday of Lombardo Toledano.²⁰

Yesterday in a subcommittee of Committee IV there was a Peruvian motion to adopt and approve the report of Subcommittee V of the Inter-American Financial and Economic Advisory Committee.²¹ This report was specifically prepared for the Technical Economic Conference and hence was referred to it. The local press has played up this action as being a rejection of the Economic Charter. This is not accurate reporting.

Other subcommittees of Committee IV are engaged today in discussions of the future of synthetic products, of subsidies to production and export subsidies, and various financial matters. These discussions are still going on.

The Steering Committee of the Conference met during the morning and formally received the delegates of the new government of El Salvador. At the same meeting it was announced that the Conference would end on March 7.

Some United States press representatives here have been asking about disagreements in the economic field within the United States delegation. In fact, there have not existed such disagreements. The unanimity with which various government agencies and the representatives of labor, business and farm groups have worked together

¹⁹ Confederación de Trabajadores Mexicanos.

²⁰ President of the Confederación de Trabajadores de la América Latina.

²¹ Not printed.

has been most notable. Probably the press has imagined such difficulties because in the economic field a practice has been followed of negotiating in subcommittees with the other delegates, followed by general meetings of the economic members of the United States delegation at which the day's progress is reviewed and plans for the next day made. As neither the meetings of the subcommittees nor of the United States delegation are open to the press, and as the subject matter is most delicate and therefore not open to full discussion with the press representatives, this impression may have arisen.

The press is naturally focusing its inquiries upon the three areas which have been the most important and from which definitive material has not yet come, namely, the Dumbarton Oaks discussions, which are still held up pending the Secretary's statement; the discussion of the joint guarantee against aggression; and the economic matters above referred to. There is the natural danger with regard to all of these that the press representatives in seeking news items will seek to find and play up areas of difference and controversy. Every effort has been made to explain away these reports of controversies as far as possible by background discussions, but it has been difficult to achieve it since it has not been possible fully and frankly to discuss many of these questions on their merits at this stage. [Stettinius.]

710 Conference (W & PW)/3-345: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 4, 1945—7 p. m.

[Received March 5—8:45 a. m.]

309. For Grew from the Secretary, and please inform the President. The main meeting of Committee II was again postponed until Monday since the Secretary was not yet ready to make his statement. Meanwhile, a subcommittee headed by Para Pérez of Venezuela has done an excellent job of getting up a report reducing the various memoranda combining the views which have been expressed in writing by 15 countries and analyzing these views. The analysis shows a consensus on six points as follows: (1) "Aspiration to universality as an ideal which the organization should have in the future", (2) "Desirability of amplifying and making more exact the statement of principles of the organization", (3) "Desirability of amplifying and making more exact the powers of the General Assembly to make its action effective", (4) "Desirability of extending the jurisdiction and competence of the International Court of Justice", (5) "Desirability that controversies of an inter-American character be settled

so far as possible in accordance with inter-American methods and systems", (6) "Desirability of giving Latin America adequate representation in the Security Council".

There is considerable informal discussion as to the form which the final resolution on Dumbarton Oaks will take. Various delegates are attempting to place the United States in the position of going on record in support of the points; whereas our position must be that we will only receive and transmit them.

This morning Committee III approved with very considerable enthusiasm the Declaration of Chapultepec. Senator Connally and Mrs. Rogers²² made statements which were given to the press. Probably Senator Connally's statement, and possibly Mrs. Rogers' will be incorporated in the final act as interpretations of the declaration on behalf of the United States.

This United States approval of the declaration was greeted with real applause by a large audience and has been the major development of the day.

The only critical note was that of the Bolivian representative who felt that he had not had an opportunity to raise the Pacific seaport issue and made some critical remarks with regard to the declaration as being incomplete. However he voted for the declaration.

There is now before Committee III a large group of resolutions upon which no definitive action has been taken. The problem of handling these resolutions is one which must be resolved in the next day or so. In addition there is pending before this committee a proposed declaration introduced by the Mexicans and which they call the "Declaration of Mexico". This sets forth a list of 20 principles such as the sovereignty of states; international law as a standard of conduct; juridical equality of states; repudiation of territorial conquest; proscription of war; support for democracy; and the rights of man, et cetera. This resolution will be discussed in subcommittee this afternoon and is expected to come before the full committee on Monday. Most of the provisions are entirely acceptable. The resolution is so broad in its scope however as to cross over many other resolutions. The Mexicans attach to it a great deal of importance mostly on the basis of prestige.

Committee IV continues to proceed slowly. All of its work is still in subcommittees where there continue discussions of such points as subsidies, protection of new industries, investments, and synthetic industries. Since the subject matter is theoretical an immense amount of discussion is possible. Now that Committee V has concluded its work it should be possible to speed up the work of Committee IV.

²² Edith Nourse Rogers, Member, Committee on Foreign Affairs of the House of Representatives.

Yesterday a subcommittee approved a combination of United States, Mexican and Brazilian resolutions on health, Miss Lenroot's²³ resolution on social questions, and a charter of women and children.

This morning another subcommittee agreed on a declaration of social principles of the Americas to go to the full committee this afternoon.

The strategy of the United States delegation is to keep the economic charter so far as possible as introduced and to have any special purpose items placed in separate resolutions. If all of the individual proposals were incorporated in the charter it would lose its distinctive character. In view of the basic nature of the problems and the desire of so many to discuss them, it is not expected that this committee will have finished its work until Monday or Tuesday. No new problems have arisen which were not anticipated. The subcommittee of Committee V working on the resolution covering transition from wartime purchases to peacetime completed its work today with an agreement on a resolution along the lines outlined in yesterday's telegram. The work of this group has been of the greatest importance and has been an outstanding example of full and frank cooperation and understanding of each other's position by the participants. Leading roles for other countries have been taken by Messrs. Bouças, Beltran, and Galo Plaza.²⁴ This agreement is one of the major achievements of the Conference.

Committee V hopes to have a full meeting this afternoon at which the work of its two subcommittees may receive approval.

If Committee V completes its labors as indicated there will remain for next week only the following matters of importance: (1) Consideration in Committee II of Dumbarton Oaks opened by the Secretary's statement now scheduled for Monday. There must be a decision on the form of final resolution. There now appears to be genuine question as to how much oral discussion will take place in view of the fine report prepared by Parra Pérez. (2) In Committee III the Mexican "Declaration of Mexico" above referred to and the cleaning up of miscellaneous resolutions. (3) In Committee IV the economic charter and the various specialized problems on trade control and trade restriction which are now the subject of discussion. [Stettinius.]

²³ Katherine F. Lenroot, Chief, Children's Bureau, Department of Labor, adviser to U.S. delegation.

²⁴ Valentim Bouças, President of the Brazilian Commission for Control of the Washington Agreements; Pedro Beltran, Peruvian Ambassador to the United States, and Galo Plaza, Ecuadoran Ambassador to the United States.

710 Conference (W & PW)/3-545: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 5, 1945—midnight.

[Received March 6—9:28 p. m.]

322. From the Secretary. Transcending interest of Conference today focused on meeting of Committee II at 10:00 a. m., where Secretary of State announced United States Government transmitting invitation to United Nations Conference at San Francisco, April 25. Secretary's statement,²⁵ closely associating American Republics in movement toward establishing a World Organization, deeply impressed delegates who applauded vigorously when 12-minute address completed. Padilla and Belt promptly felicitated Secretary; thereafter, Mexican Foreign Minister made brief and eloquent address. Padilla said that words of Stettinius would warm hearts of all men of good will and expressed a fervent wish that representatives would lend full efforts to establish peace organization. Padilla hoped that representatives of American Republics at San Francisco would take to that meeting the high purpose of establishing justice, for which men are dying, that it may be given lasting reality.

Padilla congratulated Stettinius for splendid work in building the better world that is coming into being. Session of Commission II occurred in salon of Chapultepec Castle. Room 25 by 80 feet was crowded with delegates, 50 newspaper men and standing public, and offered very appropriate setting for historic announcement.

Committee later heard Parra-Pérez of Venezuela read long report of observation of American Republics concerning Dumbarton Oaks. These observations included drafts by Chile and Peru which are considered in nature of amendments to Dumbarton Oaks proposals. Committee approved resolution declaring purpose of American Republics to cooperate among themselves and with other peace-loving nations in establishment of General International Organization; and declaring that the Dumbarton Oaks proposals constitute basis for and a valuable contribution to setting up of a General Organization. This authorizes transmission to the United Nations and to San Francisco Conference of Commission's report and annexed documents which fully expound the attitude of American Republics toward Dumbarton Oaks proposals. Signatories to this resolution reserve full freedom to present and to defend at San Francisco Conference their respective points of view as sovereign states.

The resolution concerning Dumbarton Oaks embraced eight principles whereon consensus exists among American Republics. Minor dif-

²⁵ For text, see Department of State *Bulletin*, March 11, 1945, p. 395.

ficulty arose in connection point reading "advisability of solving controversies and questions of inter-American nature, preferably according to inter-American methods and systems". Peruvian delegate raised question whether this implied priority of inter-American system over World Organization and Commission agreed reporter should reconcile language with terms of Act of Chapultepec already adopted.

Commission II also endorsed and sent to Commission III for approval Nicaraguan resolution whereby Conference endorses principles of Atlantic Charter. Commission II concluded its labors amid general sentiment of cordiality and apparent conviction that great service had been done toward World Security Organization. Correspondents commented Secretary's presidency of Commission had been opportune as delegates realized their labors were on highest level of deliberation and many friendships established prior San Francisco. Events today shifted central attention of Conference back to World Organization in dramatic and timely manner, as central interest over weekend has concentrated on Act of Chapultepec.

Senator Connally made statement supporting San Francisco Conference and recalling that United States Senate in November 1943 approved creation of General International Organization by vote of 85 to 5. He said: "Accomplishment of a meeting of minds on Act of Chapultepec, which ensures that all signatories of the Act in Western Hemisphere and not one or two nations, guarantee the integrity and security of this hemisphere, serves as a great step forward in assuring success of world conference in San Francisco." Senator Connally's statement Saturday applauding Act of Chapultepec received extraordinary attention in Mexico press and caused widely favorable reaction among delegates.

Commission III adopted "Declaration of Mexico" which embraces seventeen "essential principles" as norms in relations among American Republics. This Declaration combines numerous accepted principles of international law with some broadly social precepts such as "education and material welfare are necessary for the unfoldment of democracy" and "the inter-American community serves the ideals of universal cooperation". Declaration of Mexico aroused surprisingly little discussion. Delegates evidently regarded it as contributory to prestige of Mexico and therefore unexamined rigorously some broadly social and economic features which under other circumstances might have aroused extensive debate. Mexicans evidently regard Declaration of special value because coordinates economic and social principles with accepted ideals of international law. Declaration is regarded by some delegates as affording numerous precise points of reference in future situations and in some features reenforcing other acts of Conference.

Commission III also adopted resolution 172 urging incorporation of international law in national legislation of American States and resolution 182 reaffirming doctrine of continental solidarity.

Argentine question continues outstanding theme of press and delegates' interest, but yet unarrived at stage of precise public discussion.

Informal conversations among delegates are continuing with general expectation some development before final adjournment of Conference.

Economic commissions continue labors. Resolutions for transitional period apparently were favorably received in all quarters and effort now is directed to drafting acceptable final terms of economic charter. Marginal differences of opinion indicated in press and elsewhere relate particularly to such specialized matters as cotton subsidies and tariff protection for infant industries.

Plenary session of Conference late today will hear eight addresses by Latin American delegates and revive formal atmosphere and public oratorical discussion.

Because news despatch from Washington erroneously interpreted Act of Chapultepec as conflicting with Dumbarton Oaks proposals, Secretary issued statement: "There is no conflict between the provisions of the Act of Chapultepec and the Dumbarton Oaks proposals. The act says specifically that arrangements, activities and procedures referred to therein 'shall be consistent with the purposes and principles of the General International Organization, when established.'" [Stettinius.]

710 Conference (W & PW)/3-645: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 6, 1945—11 p. m.

[Received March 7—2:27 p. m.]

327. For Grew from the Secretary and please inform the President. Commission III today approved three resolutions of broad public and international interest. The first was resolution on freedom of access to information which was adopted unanimously with minor changes. This resolution was favorably commented among 65 US news, radio and picture correspondents covering Conference and is believed to conform in principle and purposes with ideas advanced in recent months by Press Associations and publishers' groups. Study was originally initiated at instance of Kent Cooper, General Manager of Associated Press, in personal letter to Secretary and Mr. Rockefeller and matter has been followed very closely by Press Association correspondents here. Language of resolution is very broad

and intentionally encouraging to radio and photograph as well as news men. Second resolution was Haitian proposal against racial discrimination. This was discussed lengthily in US delegation staff meeting and language was revised to avoid possible statements which would invite controversies. As adopted resolution reaffirms principle that all men are entitled to equal rights and opportunities and also proposes that governments discourage any efforts to incite racial discrimination. Third resolution was expression of American Republics homage to Dominion of Canada. It expresses gratitude to Canada for her part in war effort and observes that relations between American Republics and Canada are becoming closer daily. This was adopted by acclamation and conforms to generally favorable feeling of American Republics toward Canada and her extension of diplomatic relations with some of these Republics in recent years. Present resolution does not mention participation of Canada in Pan-American Union, but attitude of delegates suggests this might become lively topic at Bogotá Conference of American States in 1946.

Commission III referred to Pan-American Union for study resolutions related to proposed codification of international law. Mexican delegation withdrew resolution to extend diplomatic immunity to officials of Pan-American Union and other official inter-American organizations after discussion revealed this was highly controversial matter. This does not affect pending proposals of Pan-American Union to American Governments for consideration of immunity.

Berle at staff meeting and background press conference made highly informative exposition of completed labors of Commission I. Resolution of that Commission regards American Republics as constituting an integrated defense area for purposes of repelling any aggression. It therefore recommends a permanent organization of representatives of general staffs of American Republics which had worked out machinery for collaboration in defense. This organization will not replace the present inter-American Defense Boards until after the war as General Embick and other military authorities thought present staff methods working effectively.

Commission I has also approved resolution which reserves to the governments of the American Republics respectively the rights to control the manufacture and distribution of armaments. This does not mean government ownership and manufacture exclusively, but means that the armaments manufacture and traffic is subject to controls. This will be subject for future discussion through military staffs.

Berle saw additional help to war effort and protection to American Republics in resolution declining to give refuge to war criminals.

This provides for surrender of war criminals to United Nations agency, except that each country will handle criminals of its own nationality. Inter-American Juridical Committee will prepare procedures in this matter for recommendation to governments.

Commission I heretofore approved resolution to control subversive action of Axis agents prejudicial to peace and welfare of American States. Berle said that the Emergency Committee for Political Defense at Montevideo would draft procedures in this connection. Berle cited two difficulties in Commission handling of these matters. The first is to distinguish between war criminals and political exiles. It had not been intended to throw overboard the right of asylum. Second, Berle said subversive action must be defined so as not to hit the revolutionary activities which sometime occur within the American Republics. The resolution had not intended to frustrate possibilities of political change.

Newspapers here and news agency correspondents all gave urgent coverage to Secretary's address Monday and Commission II resolution on Dumbarton Oaks. This resolution when coupled with Act of Chapultepec gives direction to inter-American efforts capable of integration at San Francisco Conference deliberation and likelihood of conflict between Regional and World Organization has been discontinued in press statements here. Everyone feels that noteworthy progress has been made toward cooperation of American Republics with World Organization and no negative criticism voiced beyond some indications of disappointment that France not among nations sponsoring San Francisco Conference.

Resolution regarding Argentina is in draft form but unlikely presented until meeting of Steering Committee Thursday. Meanwhile, active press interest in this situation.

Although Conference working at high speed Dr. Padilla today reported impossible to adjourn before Thursday evening. Impossibility of earlier adjournment arose from difficulty of coordinating and finally revising verbiage of Conference resolutions as adopted by Commissions. Total of 157 resolutions were submitted to Conference—some in two or more drafts—and purely mechanical work of translating—typing and printing is heavy burden on Secretary General as well as delegation staffs. [Stettinius.]

710 Conference W and PW/3-745 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, March 7, 1945.

[Received March 7—5 p. m.]

448. Acting Foreign Minister²⁶ this morning gave press statement of Argentine Government's viewpoint on Mexico Conference resolutions which is summarized as follows: That he has no objection to setting forth Government's view regarding important innovations introduced within system of international cooperation, overlooking circumstances of Argentina's absence from discussions; that greatest responsibility which group of victorious nations has assumed in history is undoubtedly that of finding new forms of international relationship to remove danger of new world conflagration and practical method to carry them out; that Argentina has always maintained it necessary to perfect systems of international cooperation and can only view with greatest interest efforts of United Nations and particularly American nations to this end; that regarding the problem in its continental aspect, Argentine Government in harmony with its historically manifested juridical tradition ratifies its respect for the person, sovereignty, independence and territorial integrity of every American state; has rejected and categorically rejects aggression as instrument of national policy or of territorial expansion and reaffirms its determination to maintain itself within the continental solidarity repudiating any ideology foreign to republican and democratic traditions of the American Nations.

Ameghino concluded saying that above merely repeats concepts eloquently expressed by Argentine Chief Executive on several occasions especially at Army Navy dinner last July 6th.

REED

710 Conference (W & PW)/3-745 : Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 7, 1945—11 p. m.

[Received March 8—8:40 a. m.]

340. From the Secretary. Please inform the President. At yesterday's plenary session the following resolutions were finally approved by the Conference as a whole:

Creation of a permanent military organization—Inter-American Defense Board; control of armaments; war crimes; elimination of centers of subversive influence and prevention of the admission of dangerous deportees and propagandists; reciprocal assistance and

²⁶ César Ameghino.

American solidarity (Declaration of Chapultepec); reorganization, consolidation and strengthening of the Inter-American system; tribute to Dr. Leo S. Rowe; declaration of Mexico; incorporation of international law into municipal legislation; economic cooperation in the prosecution of the war; application of wartime price controls; renewal of capital equipment; preparation for the Washington Economic Conference; modification of Resolution V of the third meeting of Foreign Ministers; control of enemy property.

This morning the meeting of the United States delegation devoted itself almost entirely to a long discussion of a proposed resolution re Argentina which is still the subject of detailed negotiation with the heads of the various delegations with a view to its unanimous adoption. The current procedure is that this resolution will be adopted at a meeting by the Committee on Initiatives tomorrow morning and then by the Conference at a further plenary session tomorrow. At the moment the resolution which is the product of the views and draftsmanship of many of the delegates seems to have complete and enthusiastic acceptance. In view, however, of the lack of unanimity in certain of the delegations there remains always the possibility that some individuals will oppose the resolution when it comes up for final adoption. However, no effort is being spared to achieve a true consensus of opinion.

Committee IV, which was the only Committee which had not so far completed its work, met this morning and approved fourteen resolutions with titles as follows:

Sale and distribution of primary products; Industrial development; Inter-American transportation; Economic charter of the Americas; Processing of primary products; Methods of preventing unemployment; Work of the Inter-American Development Commission; Health and sanitation; Social questions; Charter for women and children; Inter-American cooperation in the care of European children; Declaration of social principles of the Americas; Proclaimed Lists; and, Meeting of central banks or similar institutions.

These resolutions are the result of protracted discussions which were made necessary by very considerable sentiment among the other American Republics in favor of many restrictive measures designed to protect their war-developed industries together with industries which they hoped to see developed in the future.

Since all of the major resolutions have now been negotiated to conclusion, the primary concern of the United States delegation at this point is to ensure that in the last flood of resolutions being hastily processed through for final adoption there shall not be any unexpected and unprepared for developments.

Mr. Clayton and members economic group are leaving by airplane this afternoon for Washington. [Stettinius.]

710 Conference (W & PW)/3-845: Telegram

The American Delegation to the Acting Secretary of State

MEXICO CITY, March 8, 1945—11 p. m.

[Received March 8—7: 16 a. m.]

349. From the Secretary. Please inform the President. Conference adjourned this evening after formal plenary.

Session at Chamber Deputies 16 days after convening February 21. Padilla and Chilean delegate, Foreign Minister Fernández y Fernández, made final address. Conclusion is marked by general feeling of alleviation and good will among delegates who unanimously regard Conference successful in major objectives. General satisfaction has background partly in feeling among Latin American delegates that they [are] again fully participant in international affairs and able to make influence effective both within hemisphere and in reference to world security program.

Experienced United States press and official observers regard Conference as marking culmination of good neighborly policy and attitude which President Roosevelt and Government consistently pursued during last 12 years. Other helpful factors widely commented were: (first) fact Secretary State attended and remained throughout Conference thus signaling high importance attached to meeting by United States; (second), hemispheric informational program of Coordinator ²⁷ during past 5 years apparently contributed to common opinions in American Republics favorable to United States and its war and foreign policies; (third), extraordinary thoroughness with which Mexican Government operated Conference, and (fourth) careful advance preparation both in State Department and Embassies.

An interesting impartial estimate of Conference was given extemporaneously by Senator Austin at morning staff meeting. He said: "Everyone here has been holding to the good cause of security and peace. Everything has been moulded to that end. Differences here have been solved easily because we have had that end in view. The documents and press statements have been shaped to put aside things that hurt and to help the negotiations that will occur at San Francisco. It seems to me the Conference in Mexico City has been a positive step forward. We have shown that reasonable men when working for a good object can arrive at very good results. I am very proud of our State Department and our War and Navy Department representatives. Ambassador Messersmith is doing wonderful job for USA. As member of opposition party I have nothing but praise for you all."

Secretary expressed tribute to President Camacho, Dr. Padilla and Mexican people at forenoon plenary session at Chapultepec Castle.

²⁷ Office of the Coordinator of Inter-American Affairs.

Final Act shows total of 61 resolutions approved inclusive final vote of thanks. These agreements and resolutions cover almost every field of human endeavor and their fulfillment involves extraordinary technical preparations and follow up over long period.

Secretary held general press conference making statement previously sent Washington.²⁸ Rockefeller, Austin, Connally and Messersmith spoke briefly at this conference. Austin said fathers and mothers of soldiers and sailors would appreciate what he had discovered here—warm sympathy there is in hearts of Latin Americans. Connally interpreted Act Chapultepec eloquently saying that it accomplishes what he had hoped to see for many years. Said security of hemisphere is now responsibility of all American nations. He pointed out that Act Chapultepec is carefully coordinated with and subordinate to world security organization when completed. Connally thought Argentine resolution should attract approbation people of entire Western Hemisphere. He said when Argentina assumes her proper obligations and responsibilities there will be an entirely united hemisphere. Newsmen heavily applauded Connally. Messersmith commented Mexico's role in Conference expressing opinion that events have vindicated the holding of this Conference here. He said all delegates had participated with deepest seriousness. [Stettinius.]

710 Conference W and PW/3-945 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, March 9, 1945.
[Received March 9—7:57 p. m.]

469. Acting Foreign Minister today made further statement on Mexico Conference which may be summarized as follows: Argentine Cabinet has discussed invitation extended Argentina by Conference. General impression confirms Ameghino's opinion that invitation is "courteous and honorable formula" which permits further search for satisfactory solutions. Decisions adopted at Conference coincide with many Argentine viewpoints enunciated and ratified on several occasions. Government should await receipt of appropriate diplomatic communication confirming what has been learned already through press.

REED

²⁸ Department of State *Bulletin*, March 11, 1945, p. 398.

710 Conference W and PW/4-1745

President Roosevelt to the President of Mexico (Avila Camacho)

WASHINGTON, March 31, 1945.

MY DEAR MR. PRESIDENT: I have been deeply impressed by the accomplishments of the Inter-American Conference on Problems of War and Peace to which your Government was recently a most able and gracious host.

The spirit of understanding and cordiality which prevailed throughout the Conference, and the resulting farseeing resolutions not only give promise of solving the difficult problems which the war has brought to this hemisphere but set an inspiring pattern for the consideration of the world-wide problems of war and peace which are now receiving the attention of the peace-loving people and Governments of the United Nations.

On behalf of the people and the Government of the United States, I take this opportunity to express sincere appreciation of Mexico's generous hospitality and outstanding leadership which contributed in such great measure to the success of the Conference.

I also take this opportunity to assure you personally of my highest esteem and my continued warm friendship.

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

710 Conference W & PW/4-445

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

No. 23,769

MEXICO CITY, April 4, 1945.

[Received April 9.]

SIR: I have the honor to refer to a telephone conversation which Mr. Cabot²⁹ of the Department had with me on the morning of April 3, during which he stated that the Department would be very much interested in knowing what the status of the plans were for the signing by the Argentine Government of the Resolutions of the Mexico City Meeting. Immediately after this conversation with Mr. Cabot I discussed this matter with the Minister of Foreign Relations, Dr. Padilla, who informed me that the Argentine Chargé d'Affaires, Mr. Calvo, had just informed the Ministry that he had the appropriate instructions from his Government to sign the Acts of the Mexico City Meeting. The Minister stated that he had satisfied himself that the Chargé d'Affaires had the appropriate authorization in proper form from his Government and had therefore arranged that the sign-

²⁹ John M. Cabot, Chief, Division of Caribbean and Central American Affairs.

ing should take place on April 4 at 12 o'clock in the Ministry of Foreign Relations.

I asked the Minister whether there would be any previous publicity given to this act of signing and he said that a brief statement would probably be given to the press in Mexico City on the evening of April 3, to the effect that in view of the Resolution of the Inter-American Conference on Problems of War and Peace on the Argentine, and in view of the acts of the Argentine Government in consequence thereof, and in view of the Resolution of the Pan American Union of a few days ago,³⁰ the Argentine Government had given appropriate powers to its Chargé d'Affaires in Mexico City to sign the Acts of the Mexico City Meeting for that Government and that the signature would take place on Wednesday, April 4, at 12 o'clock noon in the Ministry of Foreign Relations. I asked the Minister if there would be any objection to publicity in the United States and he stated that there would be no objection to any publicity which might be given in the United States late in the evening of April 3, or in the morning press of April 4.

In view of the interest expressed by Mr. Cabot in having this information as soon as possible, I immediately conveyed the foregoing to Mr. Cabot by telephone at approximately 3 p. m. Mexico City time on April 3.

During the conversation above referred to with the Minister, he indicated that the ceremony of signing would be a very simple one and that aside from the Argentine Chargé d'Affaires and such personnel as he might bring with him there would be present only himself and personnel of the Mexican Foreign Office.

This morning I was informed by the Foreign Office that they would be happy to have me present at the ceremony of signature at 12 o'clock. I called the Foreign Office which informed me that it had been intended to have it a very simple ceremony but that various Chiefs of Missions in Mexico City of the American Republics had indicated a desire to be present. In view of that the Minister informed me that it had informally invited all of the Chiefs of Mission of the American countries to be present.

I attended the ceremony in the Foreign Office at 12 o'clock noon today. All of the Chiefs of Mission who are in the City were present. Dr. Padilla made a very brief statement in which he expressed his satisfaction that this signature was taking place. His remarks were carefully and well chosen and will be reported in a separate despatch. The Argentine Chargé d'Affaires replied very briefly.

³⁰ Resolution of March 31; see Department of State *Bulletin*, April 8, 1945, p. 611.

The Peruvian Ambassador,³¹ who is Dean of the Diplomatic Corps, in a few sentences expressed the gratification of himself and his colleagues over the act of signature which he said was an expression of the traditions of the Argentine people and nation.

At the end of the ceremony I approached the Argentine Chargé d'Affaires, who has been in Mexico City for some months but whom I have not met, and I expressed to him my satisfaction over the signature which had just taken place. It was rather interesting that the Argentine Chargé d'Affaires in a most cordial and effusive manner stated "I can assure you that this ceremony of signature of the Acts of Mexico City has been the most important and to me the most pleasing in my diplomatic service for my country during more than twenty-five years. Nothing that I have done during that service for my country has given me greater satisfaction than to sign the Acts of the Mexico City Meeting on behalf of my country. I would be very glad if you would convey this expression of my feeling to your Government".

As the remarks of Dr. Padilla and of the Argentine Chargé d'Affaires and of the Peruvian Ambassador as Dean of the Diplomatic Corps were all extemporaneously [made] I shall report them later. The press was present and I shall transmit in due course the statements as reported in the press.

Respectfully yours,

GEORGE S. MESSERSMITH

710 Conference W and PW/4-545: Telegram

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

WASHINGTON, April 10, 1945.

I have the honor to acknowledge the receipt of Your Excellency's telegram³² informing me of the signature on April 4 of the Final Act of the Inter-American Conference on Problems of War and Peace by His Excellency Adolfo N. Calvo, Envoy Extraordinary and Minister Plenipotentiary of the Argentine Republic.

In expressing my appreciation for Your Excellency's message and my concurrence in the opinion that this step by the Argentine Government coincides with the desires stated by the American Republics in the resolutions adopted at the Conference, I am pleased to renew to you the assurance of my highest and most distinguished consideration.

STETTINIUS

³¹ Luis Fernán Cisneros.

³² Telegram of April 5, not printed.

PROPOSED INTER-AMERICAN CONFERENCE FOR THE MAINTENANCE OF PEACE AND SECURITY IN THE CONTINENT

710 Consultation 4/8-1445 : Telegram

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

WASHINGTON, September 4, 1945.

2143. Following is text of telegram addressed to Secretary by Foreign Minister Velloso August 14:

"As agreed upon at San Francisco among the Chiefs of the delegations of the American Republics which participated in the United Nations Conference ¹ a treaty between our Governments for the purpose of giving convention form to the Act of Chapultepec ² should be agreed upon. The City of Rio de Janeiro was chosen for the Conference which is to meet for that purpose and at the same time the Government of Brazil was entrusted with the responsibility of inviting the Governments of the sister Republics to send representatives to such an important meeting. To carry out this decision the President of the Republic ³ has instructed me to transmit the referred to invitation to your Government with the suggestion that the new Conference open in this Capital on October 20 next, and that it be known as the Inter-American Conference for the Maintenance of Peace and Security in the Continent. I am now carrying out those instructions through Your Excellency, certain that your Government will receive the present invitation favorably. I hope that for the greater prestige and efficiency of the meeting Your Excellency will come personally. I avail myself of the opportunity to renew to Your Excellency the assurance of my highest consideration."

The following reply is being sent:

"I acknowledge, on behalf of my Government, the receipt of Your Excellency's courteous telegram of August 14 in which you transmit the invitation of your Government for this Government to be represented at the inter-American conference to be held in the city of Rio de Janeiro on October 20 next. I am happy to convey to you herewith my Government's appreciation and acceptance of the invitation.

This Government is in entire agreement with the suggestions of your Government, approved by the Governing Board of the Pan American

¹ For documentation on this Conference, see vol. I, pp. 1 ff.

² Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City, March 8, 1945. For text, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1543, or 60 Stat. (pt. 2) 1831; for documentation, see *ante*, pp. 1 ff.

³ Getulio Vargas.

Union,⁴ that the Conference should convene on October 20 next and that it should be known as the Inter-American Conference for the Maintenance of Peace and Security.

I note with appreciation the kind expression of your hope that I may attend the meeting personally.

I shall convey to Your Excellency at the earliest possible moment the names of those who will constitute the delegation of the United States of America at the Conference.

I take this occasion to renew to Your Excellency the assurances of my highest consideration."

JAMES F. BYRNES

710 Consultation 4/8-3145 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, September 12, 1945—8 p. m.

2220. Your 2680, Aug 27, and 2746, August 31.⁵ Expect to complete within few days basic policy statement⁶ concerning content of treaty to be drafted at Rio de Janeiro Conference. Following approval of document by appropriate authorities we plan to submit it through you to Brazilian Government about September 19 and to other American governments a few days later.

It has been intimated to us by some of the Latin American Ambassadors here that informal discussions should be held in Washington on content of treaty. We are favorable to this idea and believe it would be very desirable if Velloso would ask Martins⁷ on his return to head up such discussions with a view to reaching maximum agreement before the Conference meets.

Please explain informally to Velloso procedure suggested above and ascertain whether he would agree to the proposal for Washington conversations under leadership of Martins as representative of host government of the Conference.⁸ You should emphasize that these conversations would be informal and intended to facilitate work at the Conference itself.

Expect meeting of Pan American Union Governing Board September 13 will approve confining agenda of Conference to conclusion of treaty. Dept strongly agrees with Brazilian view that no other items should be placed on agenda.

ACHESON

⁴ For action of this Board, see Department of State *Bulletin*, September 9, 1945, p. 376.

⁵ Neither printed.

⁶ See *infra*.

⁷ Carlos Martins, Brazilian Ambassador to the United States.

⁸ Ambassador Berle, in telegram 2875, September 13, 1945, 7 p. m., reported that the Brazilian Government approved (710 Consultation 4/9-1345).

710 Consultation 4/9-1945: Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, September 19, 1945—9 p. m.

1304. There follows text of policy memorandum referred to in Depts tel 1250, Sept 12,⁹ concerning provisions of treaty to be drafted Rio de Janeiro Conference. This memorandum has been prepared by policy group consisting of Pasvolsky, chairman, Hackworth, Warren, Hiss, Admiral Willson, Admiral Spears, General Fairchild, General Hertford, and representative working group headed by Spaeth.¹⁰ It is tentative and exploratory and is submitted to you for comment. Meanwhile our group is continuing discussion and further study of memorandum. The schedule of clearance and discussion with other American republics indicated in our previous telegram has been somewhat delayed. These discussions are not likely to begin until your arrival in Washington, but we are anxious to have your comments as soon as possible in order to go forward with clearance in the government.

“PART I

PROVISIONS TO BE INCLUDED IN THE TREATY

Introduction of the Treaty

1. As an opening declaration, the signatories should state that they are motivated by a desire to strengthen inter-American arrangements for the prevention of armed conflict involving any of them, and to that end, (a) to provide, in the exercise of their inherent right of individual and collective self-defense, for effective reciprocal assistance in order to meet armed attacks, and (b) to deal with alleged threats of aggression against any one of them; and that in undertaking these obligations they intend to carry out the recommendations of the Act of Chapultepec within the framework of the Charter of the United Nations, particularly of Articles 51 and 53.¹¹

Principle of Peaceful Settlement

2. Preliminary to the statement of the specific obligations assumed in the treaty, there should be a reaffirmation of the obligations previously undertaken by the signatories: (a) to settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered; and (b) to refrain in

⁹ Not printed.

¹⁰ The Department of State representatives were Leo Pasvolsky, Executive Director, Department of State Committee on Post War Problems; Green H. Hackworth, Legal Adviser; Avra Warren, Director, Office of American Republic Affairs; Alger Hiss, Director, Office of Special Political Affairs; and Carl B. Spaeth of the same office.

¹¹ Signed at San Francisco, June 26, 1945; for text, see Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031.

their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the provisions of the Charter of the United Nations.

Basis of the Treaty

3. The treaty should state that any armed attack or threat of aggression against an American state would be considered an attack or threat against all the Parties to the treaty.

4. The treaty should then clearly distinguish between the procedures that would be applicable in case of (a) an armed attack and (b) an alleged threat of aggression.

Armed Attack

5. With respect to the case of an armed attack, the treaty should be related to Article 51 of the United Nations Charter, and should provide that, in the event of an armed attack by any state against an American state there would be a general obligation on all Contracting Parties to take appropriate measures to meet the attack. The Contracting Parties should immediately consult at the request of any of them to agree upon measures to be taken. Agreement upon measures to be taken should be reached by a vote of not less than two-thirds of the Contracting Parties, and all Parties voting for such action would be bound by the decision. The particular measures should be executed by all or by some of the Parties as might be agreed upon in the consultation.

6. The treaty should provide that the measures to be taken under paragraph 5 would be executed subject to any action that might be taken by the Security Council of the United Nations.

7. The treaty should state that the term 'armed attack' includes in any case invasion of the territory of one state, in any manner inconsistent with the Charter of the United Nations, by armed forces of another state trespassing boundaries established by treaty and demarcated in accordance therewith.

Threats of Aggression

8. With respect to an alleged threat of aggression against an American Republic, the treaty should be related to Article 53 of the Charter and should provide for immediate consultation of the Contracting Parties at the request of any one of them to determine the measures which should be adopted. Decisions of these consultations should be reached by a vote of not less than two-thirds of the Contracting Parties, and all Parties concurring in the decisions would be bound thereby. Any enforcement measures deemed necessary as a result of such consultation should be taken only with the authorization of the Security Council of the United Nations.

Other Provisions

9. Consultations and actions envisaged in the treaty would be carried out through such procedures and agencies as have heretofore been, or would hereafter be, established by agreement among the Contracting Parties.

10. The Security Council of the United Nations should be furnished with complete information on all action contemplated or taken under the treaty, as required by Articles 51 and 54 of the Charter.

11. The treaty should contain a provision that nothing in the treaty impairs or prejudices the rights and obligations under the Charter of the United Nations, of the Contracting Parties.

Ratification and Termination

12. (a) The effective date of the entry into force of the treaty for the signatories ratifying would be upon deposit in the Pan American Union of ratifications by two-thirds of the signatories in accordance with their constitutional processes.

(b) The treaty could be denounced by any Contracting Party on six months notice.

PART II

PROVISIONS WHICH SHOULD NOT BE INCLUDED IN THE TREATY

1. The treaty—or correlative agreements or resolutions of the Rio Conference—should *not* contain provisions for the following since separate inter-American action on these is already provided for and should be completed prior to or at the Bogotá Conference in 1946:¹²

a. Machinery or procedures of pacific settlement related to Articles 33 and 52 of the Charter.

b. Specific military arrangements, including establishment of a military staff committee.

2. No provisions should be made for the following since they are, from a policy standpoint, deemed undesirable for inclusion in the treaty:

a. Language explicitly or implicitly qualifying the authority of the United Nations or of the provisions of the Charter.

b. A definition of the respective jurisdictions of the regional and world systems, except in the terms of Articles 51 and 53.

c. A distinction between an inter-American attack or threat, and an attack or threat from outside the Continent.

d. The enumeration of the enforcement measures mentioned in the Act of Chapultepec.

e. A request for the prior blanket authorization of the Security Council to take enforcement measures.

f. A limit to the obligations of the signatories on the basis of their geographical position and their military or naval situation.

g. Requiring the signatories to prevent activities in their territories directed against the political and social systems of any of the parties.

h. Joint inter-American action in the case of an extracontinental conflict.

i. Language formally or expressly continentalizing the Monroe Doctrine."

ACHESON

¹² This Conference met from March 30 to May 2, 1948.

710.Consultation (4)/9-2945

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] September 29, 1945.

Participants: The President
Ambassador Spruille Braden ¹³
Acting Secretary, Mr. Acheson

This evening Mr. Braden and I were received by the President. We explained to the President that we were faced with the immediate issue whether to proceed with the Rio Conference or to move for its postponement. The Rio Conference was for the purpose of working out a treaty of mutual assistance between the various states of this hemisphere including Argentina. We had spent the afternoon conferring about the matter with Mr. Hull ¹⁴ and the recommendation which Mr. Braden and I made, with Mr. Hull's approval, to the President was that we should move for the postponement of the Conference. We felt that our own position would be utterly compromised if we should sign a treaty with the Argentine Government before the situation was cleared up or that Government changed.¹⁵ We also felt that to sign such a treaty would greatly weaken the forces in Argentina opposed to the Government. Mr. Braden reviewed the situation in Argentina for the President. We recommended also that before final decision the President should talk with the Secretary of State. The President approved our recommendations and asked me to be at the White House at 9 : 30 to talk with the Secretary.

DEAN ACHESON

710.Consultation (4)/9-3045

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] September 30, 1945.

At the President's request I went to the White House at 9:30 Sunday morning, September 30. The President got the Secretary on the telephone and explained to him our recommendations as contained in my memorandum of conversation dated September 29.¹⁶ I gathered that the Secretary agreed with the President's statement that he approved the postponement of the Rio Conference. The President then put me on the wire with the Secretary to whom I re-

¹³ Ambassador to Argentina. He was designated to be Assistant Secretary of State for American Republic Affairs, but his formal appointment dates from October 26, 1945.

¹⁴ Former Secretary of State Cordell Hull.

¹⁵ For documentation on problems arising in connection with recognition of the Farrell government in Argentina, see pp. 366 ff.

¹⁶ *Supra*. Secretary of State Byrnes was attending the Council of Foreign Ministers in London.

peated the recommendations. The Secretary instructed me to proceed with efforts to postpone the conference taking the matter up first with the Brazilian Government.

DEAN ACHESON

710.Consultation (4)/10-145

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] October 1, 1945.

Participants: The Acting Chargé d'Affaires of Brazil, Mr. A. Boulitreau Fragoso
Mr. Spruille Braden
The Acting Secretary, Mr. Acheson

The Chargé called at my request. I said to him that the matter about which we wished to talk with him was most urgent. I regretted that we had to impose so serious a matter upon him in the Ambassador's absence. Since Mr. Braden's return on Friday night we had been in constant consultation regarding the very serious problem with which we were faced growing out of the present situation in Argentina. This problem was that we were faced with the fact that unless something were done we should begin on October 20 by negotiating a treaty of mutual assistance with the American Republics, including Argentina, at the very moment when the Argentine Government appeared to have repudiated all the promises which it made by accepting the resolutions at Mexico City and by joining the San Francisco Conference and when it was, contrary to all those promises, engaged in eliminating every vestige of political and civil rights of its citizens and leaving virtually unchecked the development of Nazi influence in Argentina. We felt that the negotiation of the treaty as provided in the Act of Chapultepec was one of the most solemn and far-reaching treaties in the history of our own country or of any of the American Republics. For the first time we were entering into agreements for mutual assistance of the most solemn character. It was essential that the conference for this purpose and the treaty issuing from the conference should be successful. It seemed to us impossible, from our own point of view, while the Argentine situation remained unsolved to negotiate such a treaty and even if we attempted to do so there were grave doubts whether the resulting agreement would be acceptable to our own Congress or to our own people. We believed that the same considerations must cause profound apprehension in the other American Republics. Even more than this it appeared to us that to negotiate such a treaty at the present time with the present Argentine Government would have the opposite effect of that intended. In other words instead of a

document which would guarantee security and well-being to the Argentine people among all others it would greatly depress them because it would indicate our willingness to enter into binding commitments with the government which was oppressing them at the very moment of its most oppressive conduct.

I therefore suggested that the *Chargé* communicate with his Government and ascertain its views as to a postponement of the conference. I said that this might be done in a number of ways. We might issue a public statement saying that we had raised with the Brazilian Government the difficulty of proceeding with the conference at the present time outlining those difficulties as forcefully as possible and have suggested that the Brazilian Government might wish to postpone it and to take the lead in consultations among the American Republics as to the next appropriate step, or the Brazilian Government might wish to issue such a statement itself supported by one from us.

I said that we were most anxious to go forward with discussion of the treaty. We had had the benefit of the most excellent draft prepared by the Brazilian Government.¹⁷ We were nearly ready to submit to that Government our suggestions. We thought it highly desirable that this exchange of views should continue regardless of the postponement of the conference, relying upon the good offices of the Brazilian Government, and that it might be possible in a short time to develop a treaty which could be signed at Rio and known as the treaty of that name, either by the American Republics without Argentina, giving an opportunity for its adherence when the present situation should be cleared up, or, should that situation be speedily resolved, signed at Rio by all of the American Republics including an Argentine Government in which reliance could be placed and which represented the people of that country. I asked Ambassador Braden to outline the present situation in Argentina to the *Chargé*, which he did fully pointing out strongly the harmful effect of proceeding with the conference so long as the present Argentine Government was included. We told the *Chargé* that we thought time was most important and that it was desirable that some statement should be made about this matter by tomorrow. I said that I would inform Ambassador Berle of our conversation. The *Chargé* said that he would immediately inform Ambassador Martins and the Brazilian Foreign Minister and would let us hear from him a little later today or tomorrow.

DEAN ACHESON

¹⁷ Transmitted to the Department in despatch 2071, July 16, 1945, from Rio de Janeiro; neither printed.

710.Consultation 4/10-245: Telegram

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

RIO DE JANEIRO, October 2, 1945—7 p. m.

[Received 9:25 p. m.]

3032. Substance of Department's telegram 2354 of October 1, 5 p. m.,¹⁸ conveyed orally this afternoon to Secretary General Foreign Office.¹⁹ Latter indicated that Department's views favoring postponement of proposed Inter-American Conference at Rio de Janeiro had already been communicated by Brazilian Embassy and were currently being studied by Foreign Minister Velloso and President Vargas. Later in afternoon after seeing Foreign Minister, Secretary General Muniz said that Brazil understood our point of view but favored alternative procedure for postponing conference. To avoid delay resulting from need to consult other American Republics in response to request from United States for postponement, Brazil proposes that announcement for postponement be made by Pan-American Union to all countries simultaneously. Muniz indicated special meeting of Governing Board of Union might be called for purpose of discussing matter and drafting announcement of postponement. Muniz expressed full agreement with urgency of matter particularly considering some delegates already embarking for Rio.

Foregoing for background information of Department and not to be considered as official reply from Brazilian Foreign Office, which is understood to be sending similar instructions to Brazilian Embassy at Washington.

BERLE

710.Consultation (4)/10-345

Memorandum of Conversation, by Mr. Ellis O. Briggs, Office of American Republic Affairs

[WASHINGTON,] October 3, 1945.

Participants: Mr. Fragoso, Counselor of Brazilian Embassy
 Mr. Butler—RPA²⁰
 Mr. Briggs—ARA

Mr. Fragoso called this morning at eleven to give me the following reply from his government to our suggestion on October 1 that the Rio Conference be postponed. The substance of this reply is as follows:

¹⁸ Not printed.¹⁹ João Carlos Muniz.²⁰ George H. Butler, Chief, Division of River Plate Affairs.

The Brazilian Government is disposed to agree with us that in view of developments in Argentina a postponement would be desirable. Brazil does not, however, in view of its proximity to Argentina, wish to take the lead in suggesting postponement. Brazil suggests one or the other alternative course of action: (1) that a special meeting of the Governing Board of the Pan American Union be called, at which the United States or some country other than Brazil, propose postponement or (2) that the United States make a formal proposal to Brazil that there be consultation through diplomatic channels with regard to postponement.

I summarized to Mr. Fragoso the two press statements which I said Mr. Acheson was considering making at the conference this morning, pointing out that one would state American Government had communicated with the host government suggesting a postponement. This appeared to be satisfactory to Mr. Fragoso.

Ambassador Martins returns at 4:30 tomorrow, Thursday afternoon.

ELLIS O. BRIGGS

710. Consultation (4)/10-345: Circular telegram

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

WASHINGTON, October 3, 1945—4 p. m.

Department today is requesting that special meeting Governing Board Pan American Union be called October 5 to consider postponement of October 20 Rio Conference.

My press statement today²¹ makes clear that reason for our request is Argentine situation. Since rules Governing Board prevent consideration political problems our statement at meeting will be limited to simple request that Conference be postponed.

Please state to Foreign Minister of the country to which you are accredited (except Argentina) the hope that his government will agree that Conference should be postponed and will so instruct its representative on Governing Board.

ACHESON

²¹ See Department of State *Bulletin*, October 7, 1945, p. 552.

710.Consultation (4)/10-445: Telegram

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

RIO DE JANEIRO, October 4, 1945—11 a. m.

[Received 2:52 p. m.]

3047. My telegram from Santos yesterday morning²² was sent before reading Deptel 2354, October 1.²³ Braden's judgment on whether Argentina's presence at Rio would assist Peron²⁴ is of course final and that would be solid argument for postponement. Nevertheless, I hope means may be found of bringing Conference into existence before too long. Especially it would be unfortunate if impression were to get abroad that we were abandoning Chapultepec Agreement which of course expires as agreement with close of war though there is continuing commitment to negotiate permanent treaty including its general terms.

I also think that public opinion in U.S. must be taught that it does not do much good to hold up work of hemisphere every time there is difficulty with some individual fraction of it. Hemisphere goes right along and it has lot to do together. Obviously I do not agree with one current of opinion which by and large would like to end the regional agreement which has served us well—especially in view of fact that there is no demonstration as yet that any other machinery can function in near future. Judging from my own Latin American contacts this point is being watched very carefully throughout hemisphere.

BERLE

710 Consultation (4)/10-1245: Telegram

The Brazilian Minister for Foreign Affairs (Velloso) to the Secretary of State

[Translation]

October 8, 1945—10:41 p. m.

185. Telegraphic circular No. 140. I have the honor to inform Your Excellency that, in accordance with the unanimous resolution of the Board of Directors of the Pan American Union, adopted on the proposal of the representative of the Government of the United States of America, at the session of Friday, the 5th instant, the Brazilian Government has decided to postpone to some other date to be opportunely determined the Conference for the Maintenance of Peace

²² October 3, not printed.²³ Not printed.²⁴ Juan D. Perón, Argentine Vice President, Minister of War, and of Labor and Social Welfare.

and Security of the Continent, which was to have taken place on the coming 20th day of October. In making this communication I am sure that I interpret correctly the feeling of Your Excellency and of all our eminent colleagues when I express the assurance that this postponement will in no way affect the interest of our governments and our peoples in concluding at the earliest possible date the treaty intended to make definitive the provisions of the Act of Chapultepec. Please accept the assurances of my cordial esteem and highest consideration.

PEDRO LEÃO VELLOSO

710 Consultation (4)/11-945

*Memorandum of Conversation, by the Assistant Secretary of State
(Braden)*

[WASHINGTON,] November 9, 1945.

Participants: Ambassadors of Brazil, Colombia, Costa Rica, Cuba,
Ecuador and Mexico

A-Br—Mr. Braden

A-Br—Mr. Duran

A-Br—Mr. Spaeth

ARA—Mr. Briggs

At a luncheon today with the Ambassadors of Brazil, Colombia, Costa Rica, Cuba, Ecuador and Mexico, I requested their informal personal views on the steps that should be taken in connection with the Inter-American Treaty of Mutual Assistance. I emphasized that we are anxious to conclude the Treaty at a conference in Rio de Janeiro, but that we believe careful negotiations and preparations should precede the conference. I added, however, with respect to Argentina that we continue in the view that we cannot conclude a mutual assistance treaty with a government which has failed to comply with its international commitments and which represents the very kind of threat against which such a pact is designed to operate.

The following is a summary of the main points made by the Ambassadors:

(1) We must avoid any appearance of procrastination on the Treaty. Therefore, the Governing Board of the Pan American Union, at its meeting on November 20, should propose a definite date for the conference. The Brazilian Ambassador suggested the last half of month of March.

(2) At the same meeting the Governing Board should emphasize the need for thorough preparation prior to the Conference, and should recommend that drafts of the Treaty and views with respect thereto be circulated prior to December 31. This would give ample time for

thorough study, but would also demonstrate a determination to go ahead with the job.

(3) Because of the rumors that the United States Government is reluctant to go ahead with the Treaty, the United States should, if possible, be prepared to submit its draft of the Treaty to other governments on or about November 20. Such action would remove all doubts as to our intentions.

(4) In order to coordinate such treaty proposals as may be submitted by the end of December, either (i) a subcommittee of the Pan American Union, (ii) a committee designated by the governments, (iii) the Brazilian Foreign Office, or (iv) the Inter-American Juridical Committee should prepare and annotate a document which will summarize the views of the several governments.

In addition to the foregoing views on treaty procedure, practically all of the Ambassadors expressed their hope that a formula can be found that will preserve the unity of the Americas. I agreed that real unity is desirable, but emphasized that mere formal unity, gained at the cost of participation by the Farrell Government, would be criticized as a farce by the peoples of the Continent, and would seriously prejudice the inter-American system.

At the end of the discussion the Ambassadors proposed that an *informal* meeting be held at the Pan American Union on Tuesday or Wednesday of next week to sound out the other Latin American Chiefs of Mission on the position to be taken by the Governing Board on November 20.

SPRUILLE BRADEN

710 Consultation (4)/11-1245 : Telegram

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

RIO DE JANEIRO, November 12, 1945—3 p. m.

[Received 3 : 12 p. m.]

3399. Personal for Braden. With regard to meeting of Pan American Union on Nov 20 and projected handling of Rio de Janeiro treaty, Brazilian Govt has sent instructions to Ambassador Martins asking him to propose at Nov 20 meeting that Brazilian Govt be given discretion to choose date for convoking Rio Conference. Theory of Brazilian Govt is that conference could not be held during Dec and early Jan anyway because of elections and organization of new govt; and that time should be given Argentina to straighten itself out. They would consult before fixing date.

Brazilian position is that in view of close neighborhood between Argentina and Brazil it would be embarrassing to exclude Argentina. On other hand they fully recognize force of your position. Their immediate solution accordingly is to delay, in hope that either

(1) Argentine situation will be solved or (2) existing consultations between American Republics determine that Argentina has not complied with Chapultepec obligations and that, therefore, she ought to be excluded. Brazil would not find difficulty in going along with Inter-American decision on this point. She would find difficulty in being apparent author of exclusion policy. Also implicit in Brazilian thinking is that they dislike departing from Pan American Union machinery, since Pan American Union is precisely instrument on which hemispheric unity depends. Their hope, therefore, is unanimous vote of Pan American Union leaving time of invitation to Brazil, with understanding that they will consult with US before issuing invitation, and letting matters float.

I am giving matter further thought to see if I can come up with any better suggestion and will cable further.

BERLE

710 Consultation 4/11-1445: Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina^{24a}

WASHINGTON, November 14, 1945—1 p. m.

An informal meeting was held yesterday at Governing Board of Pan American Union to exchange views with respect to plans for postponed Rio de Janeiro Conference for negotiation Treaty of Mutual Assistance. Purpose of exchange of views was to lay groundwork for regular meeting of Governing Board on Nov 20 which is to reconsider the date of Conference.

At yesterday's meeting Brazilian Ambassador informally suggested that Conference be called for latter part of Mar. He also proposed that Governing Board recommend that the Govts submit their proposals for the Treaty to other Govts prior to Dec 31.²⁵ There was substantial agreement on these two suggestions.

It was also proposed that Governing Board designate a subcommittee to coordinate and annotate such proposals for the Treaty as may be submitted by the several Govts. Dept's representative took position that it would be preferable to defer a decision on procedure for coordinating proposals until the Jan meeting of Governing Board at which time need for such procedure can be effectively determined.

Members of Governing Board are now consulting their Govts with respect to position they will take on these proposals at meeting on

^{24a} Repeated to Argentina for information only.

²⁵ The Board resolved on November 21 that each government submit by December 31 such draft proposals as it desired, for a treaty based on the Act of Chapultepec.

Nov 20. Unless in light of local situation you perceive some reason for not doing so, you should see FonMin at earliest opportunity and state that this Govt is prepared to support action of Governing Board recommending (1) that Conference be held during month of Mar and (2) that each Govt circulate to other Govts prior to Dec 31 its proposal for the Treaty. You should also state, however, that we feel that it would be undesirable at this date to set up any machinery for coordinating such proposals as may be submitted, but that this question should be taken up at the Jan meeting of Governing Board with a view to determining any further procedure that may be desirable prior to Conference.

After stating our views along the foregoing lines you should emphasize that this Govt has not changed its views with regard to concluding a treaty of mutual assistance with Farrell regime.

We hope that consultations which have been initiated with relation to Argentina may be completed and that common position may be taken prior to date set for Conference. We do not feel, however, that thorough preparations essential to success of this important Conference should be delayed pending joint decision in consultations with respect to Argentina.

BYRNES

710 Consultation (4)/12-1345

*Proposals by the United States for the Provisions of an Inter-American Treaty of Mutual Assistance*²⁶

Preamble

In order to indicate the scope of the treaty the Preamble should state that the Governments undertaking the treaty are

desirous of strengthening inter-American arrangements for the prevention of armed conflict involving any American state in order to contribute to the maintenance of international peace and security, contemplating that the American states will undertake to conclude the treaty being prepared under Resolution XXXIX of the Inter-American Conference on Problems of War and Peace for the purpose of improving inter-American procedures for settling their disputes by peaceful means and of consolidating such procedures into an Inter-American Peace System,

considering that in the Act of Chapultepec signed at the Inter-American Conference on Problems of War and Peace it is recommended that a treaty to deal with threats or acts of aggression against any American State be concluded,

²⁶ Drafted pursuant to Part III of the Act of Chapultepec, March 8, 1945 (Department of State, TIAS No. 1543 or 60 Stat. (pt. 2) 1831) and enclosed in circular of December 13, 1945 (not printed), by the Secretary of State to the diplomatic representatives in the American Republics, except Argentina, for transmittal to the Foreign Ministers of those Republics.

considering that under Article 51 of the Charter of the United Nations,²⁷ the members of the United Nations have reserved freedom to exercise the inherent right of individual and collective self-defense against armed attack until the Security Council has taken the measures necessary to maintain international peace and security,

considering that under Article 52 of the Charter of the United Nations the existence of regional arrangements of agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action is not precluded, provided that such arrangements or agencies and their activities are consistent with the Purposes and Principles of the United Nations, and

considering further that under Article 53 of the Charter of the United Nations enforcement action may be taken under regional arrangements or by regional agencies with the authorization of the Security Council.

The Preamble would then conclude with the statement that the signatory Governments have resolved to conclude a treaty to carry out the recommendations of the Act of Chapultepec within the framework of the Charter of the United Nations in order to provide for effective reciprocal assistance to meet armed attacks against any American state and in order to deal with threats of aggression against any of them.

Principle of Pacific Settlement

As a reaffirmation of previous obligations concerning pacific settlement the Treaty should state in the initial article that

1. The High Contracting Parties agree to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state or in any other manner inconsistent with the provisions of the Charter of the United Nations.

2. They undertake that, in the event of a dispute between two or more of them they will seek, in accordance with the provisions of Articles 2, 33 and 52 of the Charter of the United Nations, to settle the dispute by peaceful means in such manner that international peace and security, and justice, are not endangered.

Armed Attack

It is proposed that the problem of an armed attack be dealt with as follows:

1. The High Contracting Parties agree that an armed attack by any state against an American State shall be considered as an act of aggression against all parties to this Treaty, and each of them undertakes to assist in meeting the attack.

2. The High Contracting Parties undertake that, in the event of an armed attack by any state against an American State, they will immediately consult together for the purpose of examining any

²⁷ Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031.

measures that may already have been taken and of agreeing upon appropriate collective measures to be taken. Such agreement shall be reached by a vote of not less than two-thirds of the High Contracting Parties and the decisions shall be binding upon all those concurring. The measures agreed upon in the consultation shall be carried out by all or by some of the High Contracting Parties as may be agreed upon.

3. Measures of assistance provided for under this article may be taken until the Security Council of the United Nations has taken the measures necessary to maintain international peace and security.

4. Invasion of the territory of an American State by armed forces of any state, trespassing boundaries established by treaty and demarcated in accordance therewith shall, in any case, constitute an armed attack unless the use of these forces is in accordance with the provisions of the Charter of the United Nations or of this Treaty.

Threat of Aggression

With respect to a threat of or preparation for aggression it is believed that the Treaty should state that

1. The High Contracting Parties undertake that, in the event of a threat of aggression or in the event that there are reasons to believe that an aggression is being prepared by any state against the integrity or inviolability of the territory, or against the sovereignty or political independence of an American State, they will, upon the request of any one of them, consult together in order to agree upon the measures it may be advisable to take. Such agreement shall be reached by a vote of not less than two-thirds of the High Contracting Parties and shall be binding upon all those concurring.

2. Measures deemed advisable as a result of consultations under this Article may include measures or action of the character described in Articles 41 and 42 of the Charter of the United Nations, subject to the provisions of Article 53 of that Charter.

Procedures and Agencies

It is suggested that a separate article should contain reference in the following manner to the procedures and agencies to be employed :

The consultations and measures referred to in the preceding articles shall be carried out through such procedures and agencies as are now in existence, or as may hereafter be established by agreement of the High Contracting Parties.

Obligations Under United Nations Charter

The Treaty should further be related to the obligations assumed under the United Nations Charter by the following proposed separate articles :

The High Contracting Parties shall immediately inform the Security Council of the United Nations of any measures taken under Article of this Treaty (Article relating to armed attack) and shall at all times keep the Security Council fully informed concerning

any other activities undertaken or in contemplation under the provisions of this Treaty.

Nothing in this Treaty shall be construed as in any way modifying the rights and obligations of the High Contracting Parties under the Charter of the United Nations.

Formal Articles

The articles on ratification of the Treaty should, it is believed, provide that

1. This Treaty shall be ratified by the Signatory States as soon as possible in conformity with their respective constitutional processes. The ratifications shall be deposited with the Pan American Union, which shall notify all the Signatory States of each deposit. Such notification shall be considered as an exchange of ratifications.

2. This Treaty shall come into effect among the States ratifying it upon deposit of the ratifications of two-thirds of the Signatory States.

With respect to the duration of the Treaty it is suggested that the usual practice be followed of providing that

This Treaty shall remain in force indefinitely, but may be denounced by any High Contracting Party by a notification in writing to the Pan American Union, which shall inform all the other High Contracting Parties of each notification of denunciation received. After the expiration of one year from the date of the receipt by the Pan American Union of a notification of denunciation by any High Contracting Party, the present Treaty shall cease to be in force with respect to such State, but shall remain in full force and effect with respect to all the other High Contracting Parties.

BEGINNINGS OF THE INTER-AMERICAN SOCIAL AND ECONOMIC COUNCIL AND POSTPONEMENT OF THE INTER-AMERICAN TECHNICAL CONFERENCE

710 FEAC/3-1945

Memorandum by the Director, Office of Financial and Development Policy (Collado) to the Assistant Secretary of State (Rockefeller)

[WASHINGTON,] March 19, 1945.

Subject: Meeting of IFEAC ² of March 22, 1945.

Mr. ROCKEFELLER: In addition to any routine agenda, which will be brought separately to your attention, the principal business of meeting should involve a report on the Mexico City Conference,³ its actions re IFEAC, and the forthcoming Technical Conference.

1. Summary of Economic Resolutions of Mexico City—There is attached a memorandum⁴ which I have prepared for Mr. Clayton⁵ on this subject.

2. Effect on IFEAC of the resolution on the Inter-American system—The pertinent paragraph is no. 7:⁶

“7. In place of the emergency organ which now exists and which is known as the Inter-American Financial and Economic Advisory Committee, there is hereby created a permanent Inter-American Economic and Social Council, subsidiary to the Governing Board of the Pan American Union, the members of which shall be designated by the respective Governments, and which shall be empowered:

“a) To carry out recommendations of the International Conferences of American States;

“b) To serve as the coordinating agency for all official inter-American economic and social activities;

“c) To promote the social progress and the raising of the standard of living of all the American peoples;

“d) To undertake studies and other activities upon its own initiative or upon the request of any American government;

² Inter-American Financial and Economic Advisory Committee, the predecessor of the Inter-American Social and Economic Council. For documentation on the Committee, see *Foreign Relations*, 1940, vol. v, pp. 345 ff., and *ibid.*, 1941, vol. vi, pp. 185 ff.

³ For documentation on this Conference, see pp. 1 ff.

⁴ *Infra.*

⁵ William L. Clayton, Assistant Secretary of State.

⁶ For text of the Resolution (IX), see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 44.

"e) To collect and prepare reports on economic and social subjects for the use of the American Republics;

"f) To maintain liaison with the corresponding organ of the general international organization when established and with existing or projected specialized international agencies in the economic and social field.

"The Governing Board of the Pan American Union is authorized to organize provisionally the Inter-American Economic and Social Council. The permanent organization will be provided for by the Ninth International Conference of American States."⁷

I would interpret this to mean that IFEAC ceases its separate existence at once. I would suggest that you state that you believe it would be desirable for you and the Vice Chairman to be empowered to discuss at once with the Governing Board of the Pan American Union measures by which the present IFEAC may be transformed into the Economic and Social Council, retaining its funds, staff, etc., at least pending the Ninth Conference.

3. Reorganization of IFEAC—I suggest that you recommend that a subcommittee at once study the organization of IFEAC (Economic and Social Council) with a view to meeting the broader responsibilities laid down in the paragraph quoted above, and to meeting the requirements of adequate preparations for the June Technical Conference. For example, a subcommittee on social and labor questions is obviously needed. Some rearrangement of the existing subcommittees will probably be desirable. I would recommend that the Commission on Administration plus your representative (presumably myself) undertake this work.

4. June Technical Conference—The group mentioned above should also lay out the work necessary, in accordance with the various determinations of Mexico City, to prepare adequately for the June Conference. You may wish to mention that the United States will be prepared to furnish technical aid on these many questions.

5. Telegram to the Governments—In accordance with Resolution XVII of the Mexico City Conference, IFEAC must request certain information of the governments. Gardel⁸ has circulated the attached draft telegram⁹ which is satisfactory as a preliminary request and should be approved for transmission. A more complete questionnaire should be compiled quickly, probably by the same group suggested above.

⁷ This Conference, scheduled to meet in Bogotá in 1946, was actually held from March 30 to May 2, 1948.

⁸ L. Delgado Gardel, Secretary General of the Inter-American Financial and Economic Advisory Committee.

⁹ Not printed.

710 TEC/3-1945

*Memorandum by the Director, Office of Financial and Development Policy (Collado)*¹⁰

[WASHINGTON,] March 19, 1945.

JUNE TECHNICAL CONFERENCE—PROPOSED ACTION

1. *Time and Place*

The Conference is scheduled to be convened on June 15 at the Pan American Union. It is imperative that the Conference be held out of Washington, and it is recommended that Mr. Holmes¹¹ be requested to authorize Dr. Kelchner¹² to discuss with the Pan American Union the possibility of holding the Conference at some place like Virginia, Hot Springs, this Government contributing necessary funds and controlling their use. This will presumably involve our in effect, taking over much if not all of the management of the Conference.

With respect to time it is pointed out that the San Francisco Conference¹³ may run slightly beyond June 15. On the other hand the Inter-American Agricultural Conference is scheduled for Caracas on July 24. It is not feasible to postpone the Technical Conference again after the build up it received at Mexico,¹⁴ so it is recommended that the Conference begin either on June 15 or within 10 days thereafter.¹⁵

[The program for the Inter-American Technical Economic Conference (filed under 710 TEC/6-1445, not printed) was composed of five parts. Section I on adjustments from war to peace included allocation of consumer and capital goods, inflation, price controls, enemy assets and foreign holdings. Section II was concerned with investment, public finance, taxation and stabilization. Under section III were assigned standardization of commodities and trade documents, trade statistics, and arbitration. Section IV on labor and social welfare embraced employment levels, labor standards, social welfare

¹⁰ Addressed to Assistant Secretaries of State Rockefeller and Clayton.

¹¹ Julius C. Holmes, Assistant Secretary of State (for Administration).

¹² Warren Kelchner, Chief, Division of International Conferences.

¹³ United Nations Conference on International Organization.

¹⁴ At the Inter-American Conference on Problems of War and Peace.

¹⁵ A marginal note reads: "McClintock [John C. McClintock, Special Assistant to Mr. Rockefeller] now suggests we ask Warren [Avra M. Warren, Director, Office of American Republic Affairs] and Rockefeller whether we could move the Conference to September." A second note reads: "Mr. Clayton OK's subject to Mr. Rockefeller's OK, E. G. C.[ollado]. But get other countries to take initiative." The suggestion to postpone the Conference proved to be acceptable and the Director General of the Pan American Union (Rowe) announced November 15, 1945, as the meeting date.

and health, consumption levels and population problems. In section V appeared problems of land, sea, and air transportation, communications, and tourist travel.]

710.FEAC/4-2345

*Memorandum by the Assistant Chief, Division of American Republics
Analysis and Liaison (Halle)*¹⁶

[WASHINGTON,] April 23, 1945.

Two inter-American committees, on which the United States is separately represented, are now engaged in making designs for the Inter-American Economic and Social Council that, in accordance with Resolution IX of the Mexico Conference, is to replace the present Inter-American Financial and Economic Advisory Committee (IFEAC). One is the Committee on Inter-American Organization, a subcommittee of the Pan American Union Governing Board, on which Mr. Rockefeller represents the United States. The other is a subcommittee of the IFEAC, on which Mr. Collado of OFD represents the United States. The Governing Board committee is specifically charged with this responsibility. The IFEAC has undertaken to put forward its proposals on its own initiative, as recommendations to the Governing Board.

At the first meeting, last Thursday (April 19), of the Governing Board committee, it found itself confronted with two separate designs for the projected Council: one prepared by Dr. Manger, Counselor of the Pan American Union; the other prepared by the subcommittee of the IFEAC. As might be expected, Dr. Manger's design ties the Council in very closely to the Union, providing that the economic and social divisions of the Union should be remodeled and enlarged to serve as the Council's secretariat; the IFEAC design has the Council standing almost entirely free of the Union, with a secretariat of its own that shall take over the economic and social divisions of the Union. The IFEAC design further provides that the Council shall assume a sort of parental relationship to other inter-American agencies in social or economic fields, some of which, like the Inter-American Institute of Agricultural Sciences, now acknowledge the parenthood of the Union.

Dr. Manger's design cites, for its justification, the "basic concept" of Resolution IX of Mexico "that there should be greater coordination and closer integration of the various agencies and elements that function within the (inter-American) system, under the general supervision of the Governing Board of the Pan American Union". The

¹⁶ Addressed to the Special Adviser to the Director, Office of American Republic Affairs (Munro) and to the Chief, Division of River Plate Affairs (Butler).

IFEAC puts forward as the justification for its design "that in the discussions at the Mexico City Conference it was greatly stressed that the Inter-American Economic and Social Council should be largely autonomous, under the supervision of the Governing Board of the Pan American Union".

Faced with these two mutually opposed concepts, the Governing Board committee, at its meeting last Thursday, appointed a combined committee consisting of some of its own members and members of the IFEAC committee, and charged it with attempting to reconcile them. This combined committee is scheduled to meet tomorrow (April 24). This Government will be represented on it by Mr. Collado.

I bring this situation to your attention because here is a question of basic policy on which there will need to be coordination within the Department, if it does not already exist, in order to insure that this Government shall not take one position through its representative on one of these committees, another through its representative on the other committee.

I attach copies of the two memoranda¹⁷ prepared, respectively, by Dr. Manger of the Union and by the subcommittee of the IFEAC.

710.ESC/8-145

Memorandum by the Assistant Secretary of State (Rockefeller) of a Meeting of the Pan American Union Governing Board

[WASHINGTON,] August 1, 1945.

REORGANIZATION OF THE INTER-AMERICAN SYSTEM

Ambassador Andrade,¹⁸ at the meeting, suggested the possibility of absorbing the present Pan American Union staff of the economic, social, public health, and labor sections into the new setup of the Economic and Social Council, thus avoiding any possibility of overlapping and duplication. I supported his position and suggested that they go even further and make the Executive Secretary of the Economic and Social Council, Deputy Director of the Pan American Union with the double function of serving the Economic and Social Council and also providing the facilities for the Pan American Union which are presently provided by the existing staff.

After further discussion, the Chairman, Ambassador Castillo Nájera,¹⁹ suggested the appointment of a new committee to draw to-

¹⁷ Neither printed.

¹⁸ Victor Andrade. Bolivian Ambassador in the United States.

¹⁹ Mexican Ambassador in the United States.

gether the three reports along the lines of discussion, and appointed Ambassador Andrade as Chairman, with Mr. Vargas of the Colombian Embassy,²⁰ and myself to be the other members. This committee is to consolidate the three reports and bring back the final recommendations.

NELSON A. ROCKEFELLER

710.Tec/9-745

Memorandum of Conversation, by the Assistant Chief, Division of Commercial Policy (Smith)

[WASHINGTON,] September 7, 1945.

Participants: Dr. L. S. Rowe, Director General, Pan American Union
 Assistant Secretary Clayton
 Mr. Collado, OFD
 Mr. Smith, CP²¹

Dr. Rowe called on Mr. Clayton and said that he had received intimations that the Department desired a postponement of the Inter-American Technical Economic Conference scheduled to open in Washington on November 15. He said that in his opinion another postponement of the Conference would be a mistake and that an indefinite postponement would be a grave mistake. He stated that a postponement would have unfortunate repercussions in Latin America and would adversely affect relations with the United States. He added that invitations to the Conference had gone out some months ago and names of delegates were already being received.

Dr. Rowe was told that we recognized that postponement of the Conference might not be well received in Latin America but we nevertheless felt that it should be postponed; there had been extensive economic discussions at Mexico City which covered most of the principal points on the agenda for the November Conference; we hoped to hold a United Nations conference on trade and employment in the early part of next year, which would also cover a number of points on the November agenda; the Ninth International Conference of American States was scheduled for Bogota in 1946, which would also cover much the same ground; there were so many conferences being held or scheduled that we were scarcely able to keep up with the work connected with them; and we were doubtful that we could meet in a manner satisfactory to the Latin American countries the requests which they were likely to make, and an unsuccessful conference would be worse than no conference at all.

²⁰ Alberto Vargas Nariño, Counselor of Embassy.

²¹ H. Gerald Smith, Assistant Chief, Division of Commercial Policy.

Dr. Rowe said that if the November Conference were something new, if preparations were not so far advanced, and if the Conference had not already been postponed twice at the insistence of the United States, he would be inclined to agree with the above points. He maintained his position, however, that postponing the Conference would be a serious mistake. Mr. Clayton thanked Dr. Rowe for letting him have the benefit of his views.

710 Tec/9-1245

Memorandum by the Director, Office of Financial and Development Policy (Collado) to the Assistant Secretary of State (Clayton)

[WASHINGTON,] September 12, 1945.

We are in a bad way on this conference.²³ The economic staff does not want it. CP is quite worried lest it upset the broad commercial policy appletart. Little probably can be added to the Mexico City resolutions. We are too busy to handle such a conference properly. It ought to be outside of Washington, if held at all. Since we agreed with Mr. Rockefeller last June-July that it would be killed, adequate preparations have not been made, and cannot be made before November 15.

On the other hand we—the U.S.—have caused this conference—called for by the 1942 Rio Meeting of Foreign Ministers²⁴ and urged by the 1945 Mexico City Meeting—to be postponed from September 1944 to December 1944, to February 1945, to June 1945, and finally to November 1945. We have prepared three sets of agenda. The Pan American Union has issued formal invitations. The Latinos expect and want it. Dr. Rowe has made an eloquent plea for it on political grounds. Mr. Warren and ARA do not feel that it can be postponed until December 1946 which has now been set by the Colombians for the Bogotá meeting of American States.

I would hope we could decide to have Mr. Acheson,²⁵ the Cuban Ambassador,²⁶ and others kill this conference by moving in the Thursday meeting of the Governing Board of the Pan American Union to postpone it indefinitely. If this is not politically feasible it is recommended that Mr. Acheson do the following:

1. Point out why the November date is impossible and the present agenda impracticably broad,

²³ The Inter-American Technical Economic Conference.

²⁴ For documentation on the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

²⁵ Dean Acheson, Assistant Secretary of State.

²⁶ Guillermo Belt.

2. Suggest a *small* technical meeting to discuss only urgent and important problems,

3. The conference to be held outside the U.S.—preferably in Habana in February or March 1946 if the Cuban Government is willing and prepared to assume cost,

4. The agenda to include a very few urgent subjects such as :

a. Relation of American Republics and Bretton Woods ²⁷ (?)—This may be foreclosed by then. Exchange Policy.

b. Broad commercial, commodity, and cartel policy—Western Hemisphere in world economy. British and other patterns should be clear by then and the international trade conference should be in offing.

c. Urgent problems of Fomento—Diversification to alleviate situations arising out of cut-off of wartime procurement. Development loans and policy re protection, subsidies, etc. Technical aid.

If such a course is determined, the IFEAC, with our leadership, should get up a concise, specific agenda. IFEAC (or the Economic and Social Council which will replace it) should prepare thoroughly for this limited conference, we handling an efficient preparation through our ECEFP ²⁸ sub-committee.

710.ESC/9-1545

*Memorandum by the Director, Office of American Republic Affairs
(Warren)* ²⁹

[WASHINGTON,] September 15, 1945.

The Committee appointed by the Governing Board of the Pan American Union to report on the Inter-American Financial and Economic Conference met at the Pan American Union at 11:30 a. m. with the Ambassador of Chile ³⁰ in the chair. There were present the Ambassadors of Cuba and El Salvador, ³¹ Dr. Rowe, Don Pedro de Alba, ³² and myself as the special representative of the United States. The Ambassador of Colombia, ³³ the other member of the committee, was out of town.

²⁷ The United Nations Monetary and Financial Conference, held at Bretton Woods, New Hampshire. For documentation, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

²⁸ Executive Committee on Economic Foreign Policy.

²⁹ Addressed to the Acting Secretary of State, the Director, Office of Financial and Development Policy (Collado), the Assistant Secretary of State (Clayton), and Deputy Assistant Secretary of State (Thorpe).

³⁰ Marcial Mora.

³¹ Guillermo Belt and Héctor David Castro, respectively.

³² Assistant Director, Pan American Union.

³³ Gabriel Turbay.

It was unanimously agreed after lengthy and harmonious discussion: (1) The Inter-American Financial and Economic Conference now set for November 15, 1945, shall be postponed; (2) The Economic and Social Council, immediately after its members have been named by the various American states on September 30, 1945, as required by the pertinent resolution of Mexico City shall proceed with the study of urgent problems including inter-American action on general reparations and external assets in Latin America in accordance with Mexico City Resolutions 19 and 20; (3) The Economic and Social Council shall meet at the Pan American Union on November 15, 1945. After the completion of special formal ceremonies attendant upon the organization of the Council, it will proceed with a formulation of an agenda of urgent matters included in the chief title of the agenda for the postponed Financial and Economic Conference with a view to obtaining the acquiescence of all members of the Pan American Union not later than December 31, 1945, on an agenda for an Inter-American Financial and Economic Conference which shall take place not later than April 15, 1946; (4) The Economic and Social Council beginning its meeting on November 15, 1945, shall request the Governing Board of the Pan American Union to name the date and place of the Inter-American Financial and Economic Conference scheduled not later than April 15, 1946.

A. M. WARREN

462.OOR/9-2045

Memorandum by the Assistant Chief, Division of Economic Security Controls (Mann) to the Chief, Division of River Plate Affairs (Butler)

[WASHINGTON,] September 20, 1945.

Mr. Monsma of ES ³⁴ informed me that consideration is being given to raising the reparation question at the meeting of the Economic and Social Council of the Pan American Union, scheduled for November 15. He will keep us informed.

This would furnish a good opportunity for getting agreement of all the other American Republics on the question of the disposition to be made of German-Japanese assets in the hemisphere. I told Monsma that unless some plan was devised and pushed we would lose a golden opportunity of accomplishing our aim of permanently eliminating German influence in all of the American Republics.³⁵

³⁴ George N. Monsma, Assistant Chief, Division of Economic Security Controls.

³⁵ For documentation on the reparations question and its connection with the liquidation of Axis assets, see the sections on the elimination of Axis interests in Brazil, Chile, Colombia, Ecuador, Uruguay, and Venezuela, printed in this volume.

710 Tec/9-2745: Circular telegram

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

WASHINGTON, September 27, 1945.

Governing Board of Pan American Union yesterday postponed Inter-American Technical Economic Conference scheduled for Nov 15. Newly-formed Inter-American Economic and Social Council will convene special session Nov 15 to consider urgent problems on Conference program and before Dec 31 submit to Governing Board revised Conference program covering topics not considered by Council. Board will then set place and exact date for holding Conference which however will be during first fortnight of next April.

ACHESON

462.OOR/10-2945: Circular telegram

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

WASHINGTON, October 29, 1945—9 a. m.

Deptcirtel Aug 28, 9 a. m.³⁶ and cirgram Oct 9, 9:35 a. m.³⁷ Dept believes that problem of final disposition of German assets in this Hemisphere is urgent and should be considered at November 15 meeting of Inter-American Social and Economic Council or at earliest possible Council meeting after that date. At such meeting Dept is prepared to introduce a Resolution along following lines:

1. Each of the American republics should satisfy its legitimate war claims against Germany out of German assets within its own jurisdiction. The prior right of each American republic to assets subject to its control is affirmed by Mexico City Resolutions XVIII and XIX.

2. German assets in excess of legitimate war claims should be distributed in some equitable manner among war-devastated United Nations. Such excess might be made available in form of a credit for purchase of goods and services.

3. Application by each American republic of German assets to its legitimate claims against Germany should be regarded as a set-off as should also the proposed surrender of the surplus in manner specified in preceding paragraph. We should agree that such set-off is a complete defense to claims of Germany and of former German owners arising out of nationalization and SAFEHAVEN³⁸ proceedings envis-

³⁶ See despatch 12,760, September 13, from Santiago, p. 780.

³⁷ Not printed.

³⁸ For documentation on the SAFEHAVEN program, see *Foreign Relations*, 1944, vol. II, pp. 213 ff.

aged in the pertinent Rio, Washington³⁹ and Mexico City Resolutions. The Peace Treaty with Germany should contain an express waiver of claims arising out of nationalization action taken between Sep 3, 1939 and effective date of Treaty; and should provide that former German owners must look to German Govt for compensation.

4. It will be necessary to define the terms "legitimate war claims" and "German assets".

5. A caveat is that looted property should be returned to former owners.

The plan which we propose has several advantages:

a. It is a logical conclusion to replacement program⁴⁰ (Rio Resolution V, Washington Resolutions and Mexico City Resolution XVIII) and SAFEHAVEN program (Mexico City Resolution XIX) which aim at permanent elimination of influence of persons and firms which have engaged in activities inimical to the security of Western Hemisphere.

b. It solves troublesome question of post-war claims for property seized under the Resolution referred to and avoids outright confiscation.

c. It satisfies moral claim to German assets of those United Nations in war-devastated areas which have suffered most and at same time furnishes equitable basis for satisfaction of war claims of American republics.

d. Surrender of surplus assets should not injure economy of any republic since surplus can be made available in form of goods for war-torn areas.

In your discretion please inform appropriate authorities and cable their views.

For your confidential information it is somewhat doubtful whether or how soon Control Commission in Germany⁴¹ will vest German external assets. Separate treatment of Argentina is for this reason and others impracticable.

Embassies at Buenos Aires and Caracas should not inform Argentine and Venezuelan authorities pending further instructions.

BYRNES

³⁹ For the recommendations of the Third Meeting of the Ministers of Foreign Affairs of the American Republics which met at Rio de Janeiro in January 1942, see Department of State *Bulletin*, February 7, 1942, pp. 117 ff.; for those of the Inter-American Conference on Systems of Economic and Financial Control which met in Washington, July 1942, see Pan American Union, Congress and Conference Series No. 39: *Final Act of the Inter-American Conference on Systems of Economic and Financial Control* (Washington, 1942).

⁴⁰ Term applied to the substitution of friendly capital for enemy capital in Axis-dominated business firms in the American Republics.

⁴¹ For documentation on the reparations problem in Germany, see vol. III, pp. 1169 ff.

710.ESC/11-945

*Memorandum by the Assistant Chief, Division of American Republics
Analysis and Liaison (Halle)*

[WASHINGTON,] November 9, 1945.

MEETING OF INTER-AMERICAN ECONOMIC AND SOCIAL COUNCIL

This informal meeting was held to make decisions preparatory to the inaugural session on November 15 of the Inter-American Economic and Social Council.

1. *Election of Chairman.* The Ambassador of Brazil,⁴² as Chairman of the meeting, asked for suggestions. The Costa Rican representative⁴³ suggested Mr. Braden⁴⁴ and was seconded by the Ambassador of El Salvador. There was no dissent.

2. *Election of Vice Chairman.* Mr. Braden suggested the Ambassador of El Salvador, and there was no dissent.

3. *Designation of Member to Respond to the Address of Welcome by the Chairman of the Governing Board.* The member for Brazil⁴⁵ was the unanimous choice.

710.ESC/12-1745

*Memorandum by the Assistant Chief, Division of Commercial Policy
(Smith)⁴⁶*

[WASHINGTON.] December 17, 1945.

The Commission on Commissions of the Economic and Social Council met this afternoon and agreed to recommend the creation of seven permanent commissions, as follows:

- I. Production
- II. Trade
- III. Transportation, Communications and Tourist Travel
- IV. Finance and Development Credits
- V. Social and Labor Problems
- VI. Coordination and Relations with Other Organizations
- VII. Administration

At the close of the meeting there was considerable discussion regarding Commission VII. Drs. Rowe and Manger were present and raised the question of whether there was any need for a Commission

⁴² Carlos Martins.⁴³ Rafael Oreamuno.⁴⁴ Spruille Braden, Assistant Secretary of State.⁴⁵ Pedro de Alcantara Nabuco.⁴⁶ Addressed to the Assistant Secretary of State, Braden, and to the Chief, Office of Financial and Development Policy, Collado.

on Administration, in as much as the Pan American Union would be handling the finances of the Council and "90 percent of the staff of the Council would be Pan American Union personnel." Dr. Rowe and Dr. Manger seemed to take considerable satisfaction in and made repeated references to, the clause in the August 29 report of the Governing Board⁴⁷ of the Union regarding the Council, which gave the Union in effect the management of the Council's finances. This was a surprise to most of the members of the Council that were present, and even to the presiding officer, the Ambassador of Honduras,⁴⁸ who had signed the above-mentioned report in his capacity as a member of the Governing Board. It was quite evident from the tone of the remarks by Dr. Rowe and Dr. Manger that they considered the Council in a sense as a *sucursal* of the Union.

This is another evidence of the recent trend we have noted in other respects, and I suggest that if this matter has not yet been taken up by Mr. Braden with Dr. Rowe, it should be in the immediate future.

H. GERALD SMITH

710.ESC/12-1745

Memorandum by the Assistant Chief, Division of American Republics Analysis and Liaison (Halle) to the Assistant Secretary of State (Braden)

[WASHINGTON,] December 27, 1945.

MR. BRADEN: I have spoken with Mr. Smith of CP about his attached memorandum,⁴⁹ in which he suggests that you take up with Dr. Rowe the attitude toward the Economic and Social Council manifested by him and Dr. Manger at the meeting of the Committee on Committees December 17. He agrees that it would be inadvisable for you to approach Dr. Rowe with respect merely to his general attitude, and says he will get up a list of specific actions by Dr. Rowe that you might wish to take up with him.

It is quite true that the Union has responsibility for the finances of the Council, and that the staff of the Council will, for the most part, be personnel of the Union. Apparently the only point made in Mr. Smith's memorandum is that Drs. Rowe and Manger "seem to take considerable satisfaction" in the provisions of the August 29 resolutions to this effect, and that "the tone of the remarks" made by them was derogatory to the position of the Council.

For your convenience, I attach the pertinent passages of the August 29 report approved by the Governing Board.⁴⁷

LOUIS J. HALLE, JR.

⁴⁷ Not printed.

⁴⁸ Julián R. Cáceres.

⁴⁹ *Supra*.

THE URUGUAYAN PROPOSAL FOR INTERVENTION IN
THE AFFAIRS OF STATES THROUGH MULTILATERAL
ACTION IN CASES OF FLAGRANT VIOLATION OF HU-
MAN RIGHTS OR NON-FULFILLMENT OF FREELY CON-
TRACTED OBLIGATIONS

835.00/10-2045 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, October 20, 1945—1 p. m.

[Received 1 : 07 p. m.]

648. Mytel 641, October 17.¹ FonMin² just handed me confidential memo in reply to my informal confidential memo re Argentine consultation.³ Full text by courier today, summary follows.

FonOff is devoting full attention to consultation proposed by Department. Has delayed reply because of confused and contradictory events in Argentina. Each day brings important changes. Therefore it seems prudent to wait and see.

In meantime exchange of information and political consideration of delicate problems involved may proceed.

FonOff awaits summary of information offered by Department.⁴ States that it would consider of extreme gravity proof of persistent protection of Nazi agents and of German activities against United Nations.

FonOff wishes to place on record that although it attaches full significance and importance to principle of non-intervention it does not believe that this principle can be extended to cover without limitation notorious and repeated violation by any republic of most elementary human and civil rights and non-compliance with freely undertaken obligations re external and internal duties of a state.

Mexico City agreements⁵ furnish abundant material as noted by Dept binding signatory countries and requiring of their govts a conduct adjusted thereto.

¹ Not printed.

² Eduardo Rodríguez Larreta.

³ For documentation on the consultation by the United States on the Argentine situation, see pp. 366 ff.

⁴ See circular telegram of October 10, 5 p. m., p. 419.

⁵ See Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945) ; for documentation on this Conference, see *ante*, pp. 1 ff.

In opinion of FonOff in future an essential norm of action in inter-American relations should be parallelism between democracy and peace. Efforts must be directed prudently but firmly to this end whenever circumstances advise. Until this desideratum is achieved there will always exist threat of conflicts. Understood, of course, that exercise of such action must be collective and undertaken only on basis of authentic substantiation of clear and repeated events.

FonOff presents these considerations in general way inasmuch as changes in Argentine situation do not permit passing judgment for present and it is prudent to await developments.

FonMin told me that while his memo will not, of course, be published, text will be given to representatives of certain other American Republics who have requested it.

In brief interview I reminded FonMin of Dept's suggestion that other govts verify reports re Argentina thru their own sources pointing out that Uruguay should have exceptional facilities.

DAWSON

835.00/10-2045 : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, October 24, 1945—8 p. m.

404. Personal for the Ambassador. We are very deeply interested in the views of the Foreign Minister as summarized in your 648, October 20, 1 p. m.

Two fundamental points of procedure are made by the Foreign Minister with which we are in entire agreement: first, no action taken by the American republics should violate the principle of non-intervention; second, all action taken should be approached on a collective multilateral basis.

We also agree with the two points of substance to which the Foreign Minister referred in connection with any case that may be presented against Argentina: (1) persistent protection of Nazi activities, and (2) notorious and repeated violation of human and civil rights.

We are now preparing a comprehensive statement with regard to evidence of persistent protection of Nazi agents and Nazi activities. This statement, which we feel must be decisive, will be submitted only after we have thoroughly examined intelligence information which is now being received from investigations in Germany.

With regard to the second ground for a case against the Farrell⁶ government (notorious and repeated violation of elementary human and civil rights) we agree that there are provisions of the Mexico City

⁶ Edelmiro J. Farrell, President of Argentina.

resolutions as well as of earlier inter-American resolutions, which constitute a legal basis for submitting evidence on this point, and therefore that it constitutes a basis for joint action in the Argentine matter. We also agree that the principle of non-intervention may not be used as a shield behind which a government of force violates those very rights for which we have expended so heavily of our human and material resources. Even though this principle should be self-evident, we should obtain its express acceptance by a substantial majority of the American governments. We are satisfied that the majority of the American republics, their peoples and governments, would accept and support the basic proposition as enunciated by the Minister.

A unique opportunity is now presented to carry forward and implement a principle of public law (*derecho de gentes*) which would be of enduring significance to the Americas. We would gladly follow the leadership of the Foreign Minister should he urge its acceptance by all of the governments as a basis for joint action in relation to the Farrell Government. We believe that an inter-American declaration at this time which asserted a joint concern with the protection of elementary human and civil rights by governments of this Hemisphere in relation to the Argentine situation would not only have an immediate impact on that situation, but would have significant implications outside the Hemisphere.

We earnestly hope that the Foreign Minister will take this leadership. You should assure him that if he does so this Government will immediately and vigorously support him in all of the American capitals. We are aware that such an initiative might expose Uruguay to sanctions by Argentina and you should reaffirm our previous assurances of unqualified support in all fields of assistance in the event of reprisals.

You will appreciate the far-reaching significance of this approach. Given your high standing with the Uruguayan authorities and your long experience in dealing with them on other similar matters, I am relying on your persuasive powers in this instance.⁷

BYRNES

⁷ Telegram 662, October 25, 1945, 6 p. m., from Montevideo, reported that the Foreign Minister was interested and would discuss the subject with the President, Juan José Amezaga (835.00/10-2545).

835.00/10-3145 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, October 31, 1945—4 p. m.

[Received 4:47 p. m.]

673. Foreign Minister tells me that he himself, substantial majority his advisers, and President ^{7a} favor taking initiative inter-American declaration along general lines your telegram 404, October 24, but feel declaration must contain no specific mention of Argentina although obviously directed against Farrell-Perón regime. Foreign Minister hopes to have text ready by Monday for transmission to Department for consideration.

Uruguayans are less apprehensive of military attack than economic reprisals. Foreign Minister points out necessity for prompt assistance in this event, since reprisals adversely affecting economy would be dangerously exploited against Government by strong and aggressive . . . opposition which is only too inclined to play ball with Perón *et al.* If Uruguay takes initiative at our suggestion, we must be prepared to render effective assistance in case of reprisals and, pursuant your telegram 404, I have reaffirmed our previous assurances of support. I assume that if necessary means could be found of supplying such products as potatoes, salt, wheat, et cetera, at competitive c.i.f. prices, but wonder what if anything could be done to compensate Uruguayan economy if Perón interfered seriously with indispensable Argentine summer tourist traffic to Uruguay.

Repeated to Buenos Aires.

DAWSON

835.00/10-3145 : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)^{7b}

WASHINGTON, November 3, 1945—4 p. m.

419. We are much encouraged by urtel 673, Oct. 31. You will, of course, bear in mind the importance that we attach to fact that our suggestion is based on the views expressed in the first instance to you and our Govt by the FoMin and to fact that you were informed that Uruguayan Govt proposed to incorporate its views on violation of human and civil rights in memo to be addressed to all other republics. Hence Deptel 404 Oct 24 expressed agreement with Uruguayan position and was designed to encourage Uruguayan leadership in the further development of a well conceived initiative. These

^{7a} Juan José Amezaga.^{7b} Repeated to Buenos Aires as telegram 1562.

thoughts are prompted by phrase in urtel which implies that Uruguayan initiative would be "at our suggestion."

At a time when Farrell Govt is protesting its adherence to inter-American objectives and is being very closely watched by all other govts, we believe it most unlikely that it would resort to reprisals against Uruguay. We are, however, prepared to do all practicable to assist Uruguay in event of such reprisals, as you have been previously advised.

BYRNES

835.00/11-745 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, November 7, 1945—4 p. m.

[Received 4:04 p. m.]

691. FonMin has drafted 2,000 word note he proposes to address to other American Republics developing points contained his memo October 19 along lines discussed Deptel 404, October 24. Draft does not mention Argentina by name. It concludes by urging in view notorious events need for multilateral collective pronouncement to be formulated through recognized means such as special committee or specific consultation or at Rio Conference.⁸

FonMin states President has not seen draft but will undoubtedly approve. In compliance suggestion FonMin I am sending text by courier today⁹ for Dept's advance information and possible comment in view our offer to support Uruguayan initiative. He suggests Dept reply by cable whereupon he would address note promptly to all other representatives including Argentina. His present idea would be also to publish note very shortly after delivery to American Chiefs Mission here. He attaches great importance to arousing public opinion in support of principles advocated.

Repeated to Buenos Aires.

DAWSON

835.00/11-2045 : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, November 21, 1945—11 a. m.

447. Deptel 445, Nov. 20.¹⁰ On giving further consideration to best manner of obtaining effective publicity throughout Hemisphere, we

⁸ The forthcoming Inter-American Conference for the Maintenance of Continental Peace and Security, August-September, 1947.

⁹ Transmitted to the Department in despatch 6568, November 7, not printed.

¹⁰ Not printed; the Department expressed again its approval of the Uruguayan proposal and made suggestions as to publicity (835.00/11-745).

are increasingly concerned by possibility of leak and partial accounts as result of FonMin's intention to give note to press 48 hours after he gives it to Chiefs of Mission.

Our experience in such matters has been that with so long an interval between delivery of circular note to Govts and its release to press there is great danger of leak and partial coverage which would destroy highly important total effect of Uruguayan message.

We therefore suggest that note be given to Chiefs of Mission late in afternoon and that it be released to press 24 hours later. Please cable FonMin's decision.

We entirely agree with FonMin's opinion that it is important to expedite (Embtel 727, Nov 20¹²).

BYRNES

835.00/11-2145 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, November 21, 1945—11 a. m.

[Received November 21—10:12 a. m.]

728. Deptel 445, November 20.¹² Foreign Minister very pleased your reply and hopes to deliver note to Chiefs of Mission tomorrow or Friday. He still plans release to press¹³ but has not yet obtained President's authorization. I shall keep you advised.

Repeated to Buenos Aires.

DAWSON

*The Uruguayan Minister for Foreign Affairs (Larreta) to the Secretary of State*¹⁴

[Translation]¹⁵

[MONTEVIDEO, November 21, 1945.]

In the note of this Ministry under date of October 19,¹⁶ I stated that the "parallelism between democracy and peace must constitute a strict rule of action in inter-American policy". And I added that the highest respect for the principle of non-intervention by a state in the affairs of another, a principle established during the last decade, does not

¹² Not printed.

¹³ Telegram 733, November 23, 1945, reported the release of the text to the press (835.00/11-2345).

¹⁴ Spanish text transmitted to the Department by the Ambassador in Uruguay (Dawson) in telegram 730, November 22, 1945 (835.00/11-2245). The note was also addressed to the Chiefs of Mission of the other American Republics.

¹⁵ Translation supplied by the editors.

¹⁶ Summarized in telegram 648, October 20, 1 p. m., from Montevideo, p. 185.

shield without limitation "the notorious and repeated violation by any republic of the elementary rights of man and of the citizen, nor the non-fulfilment of obligations freely contracted by a state with respect to its external and internal duties and which entitle it to be an active member of the international community".

I

This Ministry is deeply aware of the urgent need of developing these concepts, and of proposing to the American governments an exchange of views in an effort to arrive at formulas and solutions that will bring into concrete reality this sense of right which is so firmly held in the Americas. If before the war the interdependence of democracy and peace was a recognized concept in inter-American relations, that concept has, since the terrible experience of the war, acquired the force of an absolute truth.

At the Conference for the Maintenance of Peace held in Buenos Aires in 1936,¹⁷ President Roosevelt said:

"First, it is our duty by every honorable means to prevent any future war among ourselves. This can best be done through the strengthening of the processes of constitutional democratic government—to make these processes conform to the modern need for unity and efficiency and, at the same time, preserve the individual liberties of our citizens. By so doing, the people of our nations, unlike the people of many nations who live under other forms of government, can and will insist on their intention to live in peace. Thus will democratic government be justified throughout the world."

Since the representatives of the other American Republics assembled at Buenos Aires unanimously shared these basic principles, there was proclaimed "the existence of a solidary democracy in America".

At every inter-American meeting held since that time, identical concepts have been stated.

In Panama, in 1939,¹⁸ it was said that—

"On more than one occasion the American Republics have affirmed their adherence to the democratic ideal which prevails in this Hemisphere;

"This ideal may be endangered by the action of foreign ideologies inspired in diametrically opposite principles; and

"It is advisable, consequently, to protect the integrity of this ideal through the adoption of appropriate measures."

¹⁷ For documentation on this Conference, see *Foreign Relations*, 1936, vol. v, pp. 3 ff.

¹⁸ First Meeting of the Foreign Ministers of the American Republics, September 23–October 3, 1939. For documentation, see *Foreign Relations*, 1939, vol. v, pp. 15 ff.

In Habana, in 1940,¹⁹ resolution VII refers to the "Diffusion of Doctrines Tending to Place in Jeopardy the Common Inter-American Democratic Ideal or To Threaten the Security and Neutrality of the American Republics," and recommends a series of measures against propaganda originating abroad or carried out by foreign elements within the republics of the continent.

In Rio de Janeiro, 1942,²⁰ measures intended to "prevent or punish as crimes, acts against democratic institutions" were confirmed and strengthened.

II

In March 1945, at the Conference of Mexico City²¹ the American Republics, still under the impact of the tragic experience of a war which had already lasted five years, gave vital force and meaning to these concepts in numerous declarations. In resolution VII the American Republics "affirmed their adherence to the democratic ideal", and declared that "it is desirable to safeguard this ideal" and that "the dissemination of totalitarian doctrines in this Continent would endanger the American democratic ideal".

The Declaration of Mexico (resolution XI) confirmed these concepts and sought to give them force and effect throughout the continent, by proclaiming: "The purpose of the State is the happiness of man in society. The interests of the community should be harmonized with the rights of the individual. The American man cannot conceive of living without justice, *just as he cannot conceive of living without liberty*".

And in resolution XL on International Protection of the Essential Rights of Man it was resolved, "To proclaim the adherence of the American Republics to the principles established by international law for safeguarding the essential rights of man, and to declare their support of a system of international protection of these rights."

It is highly important to note that these concepts are extended to protect the individual as such in his essential rights, and that the necessity of a system of international protection of those rights is proclaimed.

¹⁹ Second Meeting of the Foreign Ministers of the American Republics. July 21-30, 1940. For documentation, see *ibid.*, 1940, vol. v, pp. 180 ff. For text of resolutions, see Department of State *Bulletin*, August 24, 1940, p. 127.

²⁰ Third Meeting of the Foreign Ministers of the American Republics, January 15-28, 1942. For documentation, see *Foreign Relations*, 1942, vol. v, pp. 6 ff. For text of resolutions, see Department of State *Bulletin*, February 7, 1942, p. 117.

²¹ The Inter-American Conference on Problems of War and Peace, February-March, 1945. For documentation, see pp. 1 ff. For texts of resolutions, see Pan American Union, *Final Act*.

III

The Conferences of Mexico City and San Francisco,²² which took place at the close of this war, gave a still firmer and more definite proof of the common determination to make effective, to any necessary extent, the defense of the democratic ideal and of the individual, as the essential objective. Thus the nations became bound, not only by international duties but also by internal duties having an international effect. The persistent and repeated violation of the essential rights of man and of the citizen affects both the American and the international sense of justice. (Introductions articles 1, 2, 13, 55, 62, 68, etc., of the Charter of the United Nations.²³)

And as a sanction against the violation of such principles, article 6 provided that: "A member of the United Nations which has persistently violated the Principles contained in the present Charter *may be expelled from the Organization by the General Assembly upon the recommendation of the Security Council*".

IV

The repeated violation of such rules is not only disastrous in itself, but sooner or later produces grave international repercussions. A nazi-fascist regime, acting through its characteristic methods, attacks the rights of man and of the citizen, develops the ideology of force, creates false notions of superiority and is a fatal ferment for future external conflicts. It is a system which, prompted by the instinct of self-preservation in an environment which is hostile to it, must spread out in order to survive. Its will to endure forces it, in times of crisis, toward international conflict, in the hope of filling out its weakened ranks through a wave of patriotism. It is, furthermore, a system which seeks to spread contagion and which tends thereto by the very potency of the virus which it injects into the social organism.

Hence it was that in Mexico and in San Francisco, new international concepts were brought into being to meet this danger. The maintenance of these concepts was deemed indispensable if the plans prepared for the preservation of peace and security are to be effective.

V

The principle of non-intervention by one State in the affairs of another, in the field of inter-American relations, constitutes in itself a great advance achieved during the last decade; this principle was inspired by noble and just claims. We must maintain and affirm that

²² United Nations Conference on International Organization, San Francisco, April-June, 1945. For documentation, see vol. I, pp. 1 ff.

²³ Department of State Treaty Series No. 993; 59 Stat. (pt. 2) 1031.

principle whenever the need arises. It must, however, be harmonized with other principles the operation of which is of fundamental importance for the preservation of international peace and security.

First there is the principle which I have defined as the "parallelism between peace and democracy". Second, there is the conviction acquired through tragic experience, that "peace is indivisible", that is, that conflicts cannot be isolated or continue indefinitely, without serious danger, as centers of disturbance, in a world devoted to work and the pursuit of well-being. Such disturbance will, in the long run, be fatal to the peaceful world which we desire. Finally, there is the principle of the defense of the elementary human liberties—of the four freedoms of Roosevelt, of the minimum human liberties within a civilized continent—wherever they are notoriously and persistently infringed or ignored.

It is not difficult to harmonize such principles. "Non-intervention" cannot be converted into a right to invoke one principle in order to be able to violate all other principles with immunity. Therefore a multilateral collective action, exercised with complete unselfishness by all the other republics of the continent, aimed at achieving in a spirit of brotherly prudence the mere reestablishment of essential rights, and directed toward the fulfillment of freely contracted juridical obligations, must not be held to injure the government affected, but rather it must be recognized as being taken for the benefit of all, including the country which has been suffering under such a harsh regime.

It is pertinent to recall that when the principle of non-intervention was being most firmly defended and obtained its full recognition, multilateral action, exercised under the conditions and with the aims stated above, was not prohibited. That was the Uruguayan thesis at Habana in 1928.²⁴ In 1933, at Montevideo,²⁵ and at Buenos Aires, in 1936, it was clearly specified that it is the action of one state against another state, of one party against another, which is prohibited, the text of the two conferences emphasizing the individual, and therefore presumptively selfish, character of the action condemned. "It is declared that the intervention of any one of them in the affairs of another is inadmissible." (Article 1 of the additional Protocol of 1936.²⁶) "No state has the right to intervene in the internal or external affairs of another." (Convention on Rights and Duties of States, Montevideo, December 1933.²⁷)

²⁴ The Sixth International Conference of American States; for documentation, see *Foreign Relations*, 1928, vol. I, pp. 527 ff.

²⁵ The Seventh International Conference of American States; for documentation, see *ibid.*, 1933, vol. IV, pp. 1 ff.

²⁶ Department of State Treaty Series No. 923; 51 Stat. 41.

²⁷ *Foreign Relations*, 1933, vol. IV, pp. 214 ff.

Principles to which the war has resorted all their vital force and whose operation is indispensable to the creation of a better world, do not conflict therefore with this rule [of non-intervention], and the latter would, in any event, remain unchanged.

The free and harmonious working of these principles must be effected on the basis that "non-intervention" is not a shield behind which crime may be perpetrated, law may be violated, agents and forces of the Axis may be sheltered, and binding obligations may be circumvented.

Otherwise, at the very time when, since Mexico and after San Francisco, we should be creating a new international and humanitarian conception, we would find ourselves tolerating a doctrine capable of frustrating and destroying that very conception.

VI

The views set forth above are far from constituting an innovation. They respond to the demand of the peoples, the platforms of political parties, and to the judgment of those organizations and institutions which are devoted to the study of juridical and political problems. They echo the views of the free press, and the insistent plea of the young generations which do not wish to be defrauded again.

Its only novelty consists in being expressed in a diplomatic document, which many would prefer devoid of any sentiment, and in the fact that the need is stressed for transforming into realities—whenever circumstances require—oft repeated and proclaimed principles and standards.

These concepts, the observance of which, since the war, has acquired the nature of a "state of necessity" in the judgment of civilized man, have not come into being by chance, or in vain. The American Republics have, in this respect, a responsibility for leadership, which has been and must continue to be their role in the task of building a free and peaceful world. Our continent is today the hope of the peoples of the world for a better life. Pusillanimity or unenlightened selfishness may counsel a passive attitude, but the result would then be that the mission of the Americas would transform itself into that of making our continent a refuge for evil doctrines, practices, and interests and into a field favorable to their future rebirth.

This Ministry is certain that no people and no government of the continent wishes such a sad fate for America. And it is in this certainty that it takes the liberty of addressing itself to Your Chancellery, and submitting that, in view of notorious events, there is a need for a collective multilateral pronouncement,²⁸ using for that purpose some of

²⁸ For a statement by the Secretary of State, November 27, 1945, expressing the unqualified adherence of the United States Government to the principles enunciated in this note, see Department of State *Bulletin*, December 2, 1945, p. 892.

the means already counseled; either by means of an advisory committee (*Comisión dictaminante*) or by an express consultation, or by including the subject in the proposed Conference of Rio de Janeiro.

835.00/11-2745 : Telegram

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

[Extract]

CARACAS, November 27, 1945—6 p. m.

[Received 11 : 40.]

1057. Mytel 1054, November 26, 2 p. m.²⁹ In address today to Diplomatic Corps at his first reception, ForMin Morales declared categorically that Venezuelan Govt strongly supports position recommended by Uruguayan ForMin concerning multilateral inter-American action in cases of tyrannical govts.

Later Picon Lares, director of international policy in ForOff, informed me he had drafted speech. As he has just been named senior Venezuelan Delegate to General Assembly UNO³⁰ his opposition to dictatorial govts which he reiterated is significant. He expressed interest in US position with regard to adherence to Uruguayan proposal . . .

CORRIGAN

835.00/11-2845 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, November 28, 1945—11 a. m.

[Received 10 : 50 p. m.]

577. ReDepcirtel November 27, 4 p. m.³¹ Spanish translation of Secretary's statement published in this morning's press. I delivered English text to MinFonAff³² this morning. He said he would present it to Govt tomorrow and hoped thereafter to make a public statement.

He said in confidence that his personal view is that Uruguayan suggestion is logical development and has basis in commitments already made by American Republics. He said no principle including principle of nonintervention is absolute.

BEAULAC

²⁹ Not printed.

³⁰ United Nations Organization.

³¹ This telegram contained a statement by the Secretary of State regarding the Uruguayan proposal; for text of statement, see Department of State *Bulletin*, December 2, 1945, p. 892.

³² Juan Horacio Chiriani.

835.00/11-2845 : Telegram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

SAN JOSÉ, November 28, 1945—3 p. m.

[Received 8:07 p. m.]

624. Depcirtel November 27, 4 p.m.,³³ mytel 621, November 27, 3 p. m.³⁴ Have delivered text of Secretary's statement to Foreign Office but since Minister Foreign Affairs³⁵ was ill also took text to President Picado.

President stated his Govt would heartily support policy of US Govt on Uruguayan initiative or on any other matter. (I believe that should Dept desire public statement on part of Costa Rican Govt supporting Secretary's statement an intimation from me to President might well secure desired result. Shall take no further action, however, unless instructed to do so by Dept.) President states in his personal opinion appropriate multilateral intervention is a theory which should be tried out in practice. He obviously had certain mental reservations, however, for he added that in speaking not as President of the Republic, but as Teodoro Picado, the situation in Nicaragua and Honduras where there is no tendency to Nazism is far different from that in Argentina. He has often wondered whether were he President of a country traditionally opposed to democracy with a large proportion of Indian population, he would not have been compelled to govern more or less along the same lines as Somoza³⁶ or Carias³⁷ and whether if either of these men had found themselves President of Costa Rica, they might not have governed democratically.³⁸

(I may add that Picado reiterated to me he is going to do everything possible to secure free elections here in February.)

JOHNSON

³³ See footnote 31, p. 196.

³⁴ Not printed; in this telegram the Ambassador reported that the Minister for Foreign Affairs indicated some dangers in the Uruguayan proposal (835.00/11-2795).

³⁵ Julio Acosta García.

³⁶ President Anastasio Somoza of Nicaragua.

³⁷ President Tiburcio Carias Andino of Honduras.

³⁸ For an expression of a later position by Costa Rica, see telegram 807, December 15, from Montevideo, p. 209.

835.00/11-2945 : Telegram

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

SANTIAGO, November 29, 1945—7 p. m.

[Received 8 p. m.]

1490. Deptcirtel November 27, 4 p. m. Saw Fernández³⁹ this morning for his reaction to the Uruguayan note. He said the President⁴⁰ who has just returned now has it and is studying it with the view to giving him his opinion possibly today though Ríos has a cold with fever. The Minister implied that "off the record" he wondered if it would not be better for matters touched on in the Uruguayan note to be decided upon by the American nations in direct conference, as in Rio, rather than through the exchange of notes. However, when I restated the substance of the note, he agreed with its conclusions.

Fernández promised to inform me immediately on the result of the discussions with Ríos and others in the Foreign Office.⁴¹

BOWERS

835.00/11-2845 : Telegram

The Secretary of State to the Ambassador in Costa Rica (Johnson)

WASHINGTON, November 29, 1945—8 p. m.

460. Embtel 624 Nov 28 3 p. m. You should inform President Picado of the Depts belief that the hemisphere would benefit if all the American govts would publicly announce their own reaction to the Uruguayan initiative.

Confidentially you should interpret the above to mean that rather than support the Secys statement the Costa Rican govt should express publicly its own views.

BYRNES

710.11/12-445

Address of the Argentine Minister for Foreign Affairs (Cooke)⁴²

BUENOS AIRES, November 30, 1945.

With reference to the note of the Minister for Foreign Affairs of Uruguay, dated 21 of the present month, addressed to the Foreign

³⁹ Joaquín Fernández Fernández, Chilian Minister for Foreign Affairs.

⁴⁰ Juan Antonio Ríos Morales.

⁴¹ For an expression of a later position of Chile, see telegram 807, December 15, from Montevideo, p. 209.

⁴² As it appeared in Bulletin 177 of the Department of Information for Abroad News Service of the Argentine Ministry for Foreign Affairs and Worship; copy transmitted to the Department in despatch 1477, December 4, 1945, from Buenos Aires; received December 11.

Ministers of the American Republics, I have decided, as Minister for Foreign Affairs of Argentina, to make the following declaration:

I.—Preceded by a long enumeration of antecedents which comes to an end with references to the Resolutions and declarations approved at the Mexico Conference and with a quotation of the dispositions of the Charter of the United Nations adopted at the recent San Francisco Conference, the communication under review analyses the principles of international law which refer to “non-intervention”, and as a consequence lays down the following premises:

1.—“Non-intervention” cannot be transformed into “the right to invoke a principle in order to violate with impunity every other right.

2.—“. . .⁴³ non-intervention must not be the shield under the cover of which transgressions are committed, right is violated, the Axis agents and forces are protected and . . . undertakings . . . are broken”.

Finally, after the Minister for Foreign Affairs of Uruguay has made an exegesis of a doctrine “whose sole innovation—according to his words—consists in it being recorded on a diplomatic document, which many consider insensitive, and has pointed out the necessity that principles, so often repeated and proclaimed, be transformed, when circumstances so require, into reality, he addresses himself to this Foreign Ministry—and to the others of America—to stress the necessity of achieving, in face of well-known events, a collective multi-lateral pronouncement, employing for this end some of the means already advised: whether it be by an especially appointed commission, through an express consultation, or incorporating this theme to the agenda of the future Rio de Janeiro Conference.

Considered in its nature and purposes, the Uruguayan communication signifies—whatever interpretation is given to a thesis as unexpected as it is dangerous—the discussion of a matter of extraordinary transcendancy.

II.—The Argentine Government upholds the principles established in the Resolutions and Declarations to which the Uruguayan Foreign Minister refers in his enumeration of antecedents, regarding the convenience of strengthening the procedures of democratic and constitutional governments, the existence of solidary democracy in America, the defence of the rights of man, and in particular, the concept contained in the Declaration of Mexico⁴⁴ that: “The purpose of the State is the happiness of man in society. The interests of the community should be harmonised with the rights of the individual. The American man cannot conceive of living without justice just as he

⁴³ Omissions throughout this document indicated in the original.

⁴⁴ Resolution XI, Pan American Union, *Final Act*, p. 49.

cannot conceive of living without liberty". But the Argentine Government does not admit that the interpretation of these principles and the appreciation of whether the rules which they sustain have been violated or not, may be subject to the will or the judgment of foreign powers.

III.—The Argentine Republic, which as member of the American community, signed the resolutions adopted at the Mexico Conference, has and is faithfully fulfilling all the undertakings contracted jointly with its sister nations. This fact was proved by the Foreign Ministry in the documents published on September 11 and November 12, where a detailed analysis of the task carried out by the Argentine Republic, enable it to affirm that there no longer exist in this country publications, schools, associations or centres of nazi-fascism from where might be disseminated doctrines which would attempt against the American Democratic Ideal and which are repugnant to the general feeling of the Argentine people.

If in this task, as also in everything regarding the measures taken with enemy property, there has been any omission or delay, it has not been due to weakness nor to the forsaking of an unequivocal policy, but to the magnitude and nature of the work already carried out and to be carried out.

With no other purpose than to show how circumstantial reasons may sometimes thwart the best intentions, I recall that the Minister for Foreign Affairs of Uruguay expressed the following a few days ago in the Parliament of his country: "A curious and singular situation exists: notwithstanding the fact that our country has marched at the vanguard by its adhesion to the Allied cause in its declarations and in general political action, in the economic terrain we march at the rear-guard, and I believe that to-day Uruguay is the only country in America which has not adopted measures which, although painful, I confess, because they sometimes affect persons we hold in personal esteem, however constitute the minimum sacrifice which Uruguay can make to a common cause to which it has made so little contribution in other aspects".

Any accusation, until now ill-defined, which points to the Argentine Republic as having violated its international undertakings, is groundless, and there is nothing to justify possible allusions of the note under discussion or ulterior references.

IV.—No words can make us forget that for over a century, from Monroe to Roosevelt, the nations of America have been struggling to establish, as one of the most prized conquests of their Positive International Law, the principle of "non-intervention". This principle was born of the necessity to defend the American continent against the possible extension of the European political system of the Holy Alliance.

This historical event gave birth to a juridical rule which was gradually consolidated until it obtained doctrinary form: that "intervention", that is, the forceful interference in the internal or external affairs of another State, is contrary to International Law; that International Public Law is a right of coordination and not of subordination; that no State has jurisdiction over other States; and that every "Intervention" is illicit because it violates the fundamental right of independence of States, unequivocal juridical basis for international co-existence. An intervention signifies that a State requires of another a determined action or omission in a general political, economic or financial order; for example, to submit another to control.

"The peoples of America—lay down the preambles of the Act of Chapultepec—animated by a profound love of justice, remain sincerely devoted to the principles of international law; it is their desire that such principles, notwithstanding the present difficult circumstances, prevail with even greater force in future international relations". Faithful to these ideals they have incorporated to their national legal systems, through Conventions, Resolutions and Declarations, the following rules:

a) They will in no case resort to diplomatic or armed intervention, unless this attitude be agreed upon in other collective treaties of which these States be signatories. (South-American Anti-War Treaty of Non-Agression and Conciliation, 1933).

b) They repudiate the intervention of one State in the internal or external affairs of another. (Seventh Inter-American Conference, 1933, and Inter-American Conference for the Consolidation of the Peace, 1936).

c) the acknowledgement that the respect for the individuality, sovereignty and independence of each American State constitutes the essence of international order, protected by continental solidarity, made manifest throughout American history and sustained by declarations and treaties in force. (Eighth International American Conference, 1938).

The positive and recent confirmation of these postulates took place at the Mexico Conference where the signatory States declared:

- 1.—That all sovereign States are juridically equal among themselves.
- 2.—That every State has the right to the respect of its individuality and independence on the part of the other members of the international community. (Act of Chapultepec, 1st. Part, 1945).

These principles are ratified in the Declaration of Mexico which reads:

"The American community maintains the following essential principles as governing the relations among the States composing it:

- 1.—International Law is the rule of conduct for all States.
- 2.—States are juridically equal.

3.—Each State is free and sovereign, and no State may intervene in the internal or external affairs of another". (Resolution XI of the Mexico Conference).

The preceding principles have constantly been put into practice and maintained by the Argentine Republic in its relationship with the other States and in the International Congresses it has attended.

V.—To accept the innovatory thesis—to whose originality its author has modestly renounced—would be tantamount to decrying, in the name of a democratic solidarity which nobody disputes or denies, a transcendental juridical structure which is the result of long years of effort. The very fact of "non-intervention" would provoke "intervention". This means that right would be overcome by counter-right.

"Our respect for the sovereignty of other nations—I said on the 19 of this month—which has been traditional in our foreign policy, is so great as that which we demand for our own sovereignty, which we uphold and defend with legitimate and natural pride. For this reason, we reject any attempt of foreign interference in the political differences which may circumstantially divide the Argentines" . . . "Never has the Argentine Nation suffered the affront of a foreign interference in the direction of its policy or the election of its government. Our mistakes have been repaired within our frontiers and our quarrels have been decided at the polls or in fratricidal struggles, between Argentines and with an Argentine spirit".

And the Government of which I form part will certainly not be the one to abjure the tradition of our history.

VI.—Within the order of international American relationship there can be no ground more dangerous or slippery than the foreign appreciation of the political situation of nations. Notwithstanding the fact that the American people are true followers of democracy since the dawn of their independence, "de facto" governments of different type and alterations in constitutional order have been frequent occurrences in all of them. The political culture of their peoples, as also the example of the extremes to which lead government arbitrariness [*sic*] and totalitarian régimes have done away with all inclinations that might lead to the consolidation of antidemocratic systems of government. To pretend to confound "de facto" governments possessing genuine American characteristics, with typical totalitarian systems, is to create a problem among countries which at some time or other of their existence have lived through similar situations, and at the same time would result in erecting some nations into the judges of the affairs of others and mixing them up in foreign passions and political differences.

VIII [VII].—There is no "good neighbour" policy—the most precious legacy left by President Roosevelt for the relationship be-

tween American peoples—that can resist interferences such as that proposed in the note of the Uruguayan Foreign Minister. Nobody can ignore that as a natural consequence of its power and greatness, the control of the intervention policy would fall upon the United States, thus invalidating the efforts of the great President Roosevelt who with his conduct banished the fears of those who attributed to his country a “hard-handed” policy.

The proposed intervention policy would bring destruction to the brotherhood and spirit of cooperation, basis on which must rest the spiritual and material solidarity of America. Senator Connally, the distinguished president of the Commission of Foreign Affairs of the United States Senate, understood this matter well when he said:

“ . . . the less the United States interferes in the internal affairs of any Latin-American country, the better it will be, not only for our own welfare, but for that of the other 21 American nations, and for their mutual cooperation” . . . “We desire the other nations to realise that we are showing every consideration for their sovereignty and independence and that it is not our intention to interfere in any way in their internal affairs, unless they concern the interest of a North-American citizen or that of some North-American property”.

VIII.—This Foreign Ministry does not ignore that a campaign to bring about confusion and to spread defamation, which tries to sully the international reputation of the Republic may have succeeded in disfiguring the real political situation of our country, magnifying certain facts and tergiversating our intentions. It deplores this circumstance for the consequences which may be derived for the harmony and good understanding with its sister nations. Aware, however, of the serious question resulting from the note of the Minister for Foreign Affairs of Uruguay, the Argentine Foreign Ministry expresses, on behalf of its Government, its disagreement with the suggestions therein contained and stresses the convenience of avoiding that precipitate attitudes or judgements contribute to frustrate the common purpose of maintaining and consolidating union and cordiality among the nations of the Continent.

BUENOS AIRES, November 29, 1945.

835.00/12-745 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, December 7, 1945—7 p. m.

[Received 10:38 p. m.]

1230. I inquired of Acting Minister Foreign Affairs ⁴⁵ this afternoon whether he was yet in position express his Govt's views with

⁴⁵ Col. José Celestino Pinto.

respect Argentine consultation or Uruguayan initiative. He replied was not yet ready to do so officially but hoped he could give me written statements both subjects within few days.

He added could advise me informally that in opinion his Govt Uruguayan initiative not acceptable since would open way to intervention internal affairs of an American State and that Bolivian Govt is strongly opposed such intervention. He volunteered opinion that majority of American Republics entertain same view. When I asked if he had received advices to this effect he amended statement to say understood from press statements this was the fact.

Colonel Pinto also expressed opinion that Uruguayan action is unfortunate and may result in great injury to Pan American unity by dividing Latin America into pro and anti interventionist group.

THURSTON

835.00/12-745 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 7, 1945—8 p. m.

1739. Dawson ^{45a} reports in cable which is being repeated to you that Uruguayan Govt is greatly concerned by apparent preparations by Argentina to apply drastic economic sanctions because of Uruguayan initiative. You should immediately fully but discreetly investigate and report by cable all evidence of such preparation, obtaining documentary evidence and comparable proof whenever possible. As you will note from our instructions to Dawson, we do not feel that it is advisable to take matter up with Argentine Govt at this time.

BYRNES

710.11/12-845 : Telegram

*The Secretary of State to the Ambassador in Uruguay (Dawson)*⁴⁶

WASHINGTON, December 8, 1945—8 a. m.

479. Comments received as of December 6 indicate very great interest press and Govt in Uruguayan initiative.

Reservations expressed by press and unofficially by some Govts seem prompted by question whether proposal may lend itself to abuse and consequent undermining of doctrine of non-intervention. The FonMin emphasized in his press conference of Dec. 2, that doctrine of non-intervention can be reconciled with the proposal of his note. This is an essential point.

^{45a} William Dawson, Ambassador in Uruguay.

⁴⁶ Repeated to diplomatic representatives in the other American Republics for information only.

In view of fact that intervention is popularly held to mean use of force and hence actual entry into the country involved, it is noteworthy that Uruguayan proposal avoided use of phrase collective "intervention". Collective "action" was phrase used in Uruguayan note which avoids connotations associated with "intervention". To critics of proposal who will probably continue to speak of intervention, the obvious reply is that machinery for collective action must include both procedural and substantive safeguards against abuse. Safeguards might be expressed in such provisions as (1) that consultation may be initiated only upon request of three or more Govts; (2) that affirmative vote of a specified proportion of Govts would be required to authorize joint action; and (3) that decision on types of permissible joint action would have to be made in light of UNO Charter⁴⁷ and Act of Chapultepec⁴⁸ (that is they would probably not include extreme measures necessary to deal with an attack or actual threat of aggression). Such provisions, or others that may be agreed upon, coupled with inter-American procedure full consultation, would safeguard real objectives of established doctrine non-intervention.

Many types of permissible joint action are possible. It does not follow from approval of proposition that violation of elementary human rights by Govt of force is matter of common concern, that armed force should be employed to deal with such a matter. *New York Times* and other papers have hailed proposal as great advance international relations but throw discussion out of perspective by asking "whose armed forces would be employed to put down a Govt of force found to be violating elementary human and civil rights?" Implication is that since US has strongest military establishment our forces would be used and we would be exposed to charge of intervention even though we acted pursuant to joint decision.

Such discussion of extreme forms of possible sanctions overlooks entirely that a great advance will have been accomplished if American states recognize that violation of human rights by a Govt of force is a matter of common concern which may properly be subject of consultation among Govts. Today it is held that even discussion by the American republics of such violation of human rights constitutes intervention even though it is acknowledged that there is a parallelism between democracy and peace. If this interpretation of doctrine of non-intervention were to prevail against Uruguayan proposal, it would mean that inter-American system lacks the power to discuss all questions relating to maintenance of peace. The inter-American

⁴⁷ June 26, 1945, Department of State Treaty Series No. 993; 59 Stat. (pt. 2) 1031.

⁴⁸ March 8, 1945, Department of State, Treaties and Other International Acts Series (TIAS) 1543; 60 Stat. (pt. 2) 1831.

system would then lack a power comparable to that granted to General Assembly by Article 11 of UNO Charter. It is hard to believe that the American republics would support such a point of view at a time when they are seeking to strengthen basic structure of inter-American system.

Uruguayan initiative would at least permit joint inter-American denunciation of activities of a totalitarian regime and would thus constitute a milestone on road to realization of objectives of individual freedom and dignity for which war was fought. Mere statement of Uruguayan proposal has already intensified spotlight of hemisphere public opinion on activities of Farrell regime. Effectiveness of that spotlight will be increased if technical objection of intervention no longer operates to confuse issue or to prevent full discussion of merits of charges directed against a totalitarian regime. Because we may not be prepared to recommend economic or military sanctions to deal with such a problem, we should not be deterred from use of techniques of discussion and analysis of facts which may go far successfully to combat evil with which we are concerned. This is essence of "town meeting" concept of General Assembly which has so frequently been stressed by US Senate.

Please inform FonMin that we would appreciate his views on these thoughts.

BYRNES

710.11/12-1245 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITTO, December 12, 1945—11 a. m.

[Received 7:22 p. m.]

874. Reference my 863 [864], December 8, 4 p. m.⁴⁹ The Ecuadoran reply⁵⁰ to the Uruguayan proposal which I have just received attempts in a lengthy and somewhat involved discussion to differentiate between common action which might be taken in a case of non-fulfillment of international obligations and action in the case of a violation of the rights of man. For instance paragraph 7 states, "The common action that the American Republics might deem it appropriate to take in reprisal for the non-fulfillment of international obligations would in no way violate the principle of non-intervention. It would be the application of processes contemplated in the inter-American instruments and would mean the exercise of a collective right vis-à-vis decisions taken in exercise of a national autonomy."

⁴⁹ Not printed.

⁵⁰ Letter dated December 10, 1945, *Informe del Ministro de Relaciones Exteriores, a la Nacion, Agosto 1944-Julio 1946* (Quito), p. 48.

Paragraph 8 however states, "In the opinion of the Govt of Ecuador the proposed multilateral intervention in defense of the elementary rights of man repeatedly violated by a Govt of force in one of the American Republics would need to be carefully analyzed in all its aspects and consequences to reconcile it with the principle of non-intervention in the internal affairs of each state."

The essence of the reply appears in the last paragraph which states, "consequently the Govt of Ecuador while recognizing the noble idealism of the initiative of the Govt of Your Excellency considers that the realities of international politics prevent it from accepting a relaxation of the basic principle of non-intervention, and for the reasons set forth above declines the proposal to revise it, reiterating its decision to cooperate in the defense of the peace and security of the Western Hemisphere by means of the continual strengthening of the inter-American system".

Copy and translation being forwarded by airmail pouch.

SCOTTEN

710.11/12-1245 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 12, 1945.

[Received December 12—9:41 a. m.]

788. After all-night debate Senate rejected this morning by 16 to 15 a motion disapproving Foreign Minister's initiative. Details later.

DAWSON

710.11/12-1345 : Circular telegram

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

WASHINGTON, December 13, 1945—2:15 p. m.

On November 24, the Soviet newspaper *Trud* of Moscow published a news despatch from Montevideo which quoted liberally from an article in the newspaper *El Debate* criticizing the United States for active interference in the internal affairs of other American republics. Significant portions of the *El Debate* article printed in *Trud*, as reported by the United Press, follow.

"We criticize the United States for turning the Pan American agreements into an instrument for the interests of its own foreign policy; for sowing enmity among Latin-American countries, arming one country against another. Guatemala is being armed against Nicaragua, Peru against Ecuador and Brazil against Argentina.

"We criticize the United States for a lack of diplomatic tact and finesse. The form of the conduct of inter-American consultations and convocation of the Pan American conferences is a genuine puppet game in which the South American rulers and diplomats play the roles of mechanically subservient dolls.

"We do not share the position of those who welcome American intervention in the Argentine. Constitutional government doesn't exist only in Argentina; also in Brazil, Venezuela, Paraguay, Ecuador and a majority of the Latin American countries.

"...⁵¹ No one can honestly assert that the governments of Portugal, Brazil, Paraguay, San Domingo, Italy, Greece and China are better than Argentina's. If the United States supplies arms to the Chungking government fighting against an army of 3 million men defending the interests of a population numbering 150,000,000 . . . Then the United States must show greater moderation in the Argentine . . . We criticize the United States for underground activity in Latin America of an army of special agents, for blacklists for a colonial form of economic and ideological oppression."

The United States is also accused of placing severe pressure on Ecuador to force her to sell the Galápagos Islands.⁵²

The foregoing is called to your special attention because (1) it constitutes the first time that direct criticism of the United States policy in Latin America has appeared in the Moscow press (aside from criticisms of admission of Argentina to the United Nations Conference); and (2) the criticism thus voiced indirectly by the Soviet press borrows from a journal, *El Debate*, which is the organ of the reactionary, anti-American, pro-Peron Herrerista party in Uruguay. Both the publication of the article in Moscow and the source from which it is drawn are therefore of significance.

In connection with your reporting on the policy and activities of Soviet representatives and Soviet-inspired groups, you are requested to take special note of any indications of a tendency for extreme left-wing groups to unite with extreme right-wing groups to oppose the United States, as is the case in the article quoted above.

ACHESON

710.11/12-1445: Telegram

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

RIO DE JANEIRO, December 14, 1945—6 p. m.

[Received 9:13 p. m.]

3697. Foreign Minister⁵³ has just given me copy of his note of December 13 to Foreign Minister of Uruguay in reply to latter's note of

⁵¹ Omissions indicated in the original.

⁵² For documentation on the question of United States bases on Ecuadoran territory, see pp. 1007 ff.

⁵³ Pedro Leão Velloso.

November 21 regarding collective intervention. Brazilian note states that "it would not be advisable at this moment, for the peace of the Continent, above all considering that the international juridical organization is still imperfect, to abandon or deviate from" the principle of non-intervention so deeply rooted in the sentiments of the American peoples, but adds that "the evolution of international juridical conscience no longer permits a state to assert its sovereignty against the highest interests of cooperation among nations and the moral and material advancement of humanity". Possibly when international organization is further advanced it may be possible to admit the existence of a super-national organ with powers of intervention in certain very special cases, but such an aspiration is not yet a reality. Brazil is willing to seek a solution to the problem preferably by means of consultation.

Brazilian note can be considered neither a rejection nor acceptance of the Uruguayan thesis, but consists rather of a series of pertinent observations upholding on the one hand the traditional principle of non-intervention but on the other hand admitting the possibility of modifying this policy under special circumstances as world organization develops.

Full text and translation of Brazilian note follow by air.

BERLE

710.11/12-1545 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 15, 1945—10 a. m.

[Received 1:16 p. m.]

807. Foreign Minister has furnished texts of following replies, copies of which are being forwarded by airmail pouch today.

Chilean note concurs in motives for Foreign Minister's initiative but does not share those views implying abandonment of non-intervention principle. However, note expresses willingness to discuss initiative at Pan American meeting preferably after opinions requested from Inter-American Juridical Committee pursuant to Mexico City Resolutions 11 and 38⁵⁴ are available.

Guatemalan note approves without reservation. However, it contains concluding paragraph which would be exploited by opposition press here to effect that, in replying to recent United States consultation on Argentine situation, Guatemala expressed viewpoint completely in accord with that set forth in its reply to Uruguayan proposal.

⁵⁴ For texts of these resolutions, see Pan American Union, *Final Act*, pp. 49 and 77; for documentation, see *ante*, pp. 1 ff.

Costa Rica's reply after reviewing history of non-intervention principle and noting no departures authorized even during critical war years accepts in principle Uruguayan proposal provided all American Republics agree on the methods to be employed and to submit their differences to permanent institutions in accord with common juridical procedures. Note suggests concrete plan be submitted to Governments for study and comment after which revised draft would be submitted to a Pan American Conference.

DAWSON

710.11/12-1545: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 15, 1945—noon.

[Received 12:26 p. m.]

811. In recent debate in Senate Herrerista asserted Foreign Minister's proposal had been launched in response to note from US Embassy. Foreign Minister vigorously denied assertion and stated categorically proposal was exclusively initiative of Uruguayan Foreign Office. Thursday Herrerista Deputy made similar charge in Chamber Deputies and insisted that Chamber request Foreign Office to furnish "copies of notes exchanged with US". In editorial last evening *El Diario* calls for clarification whether Foreign Minister took initiative at suggestion of State Dept. Opposition is seeking desperately any means of embarrassing Govt. Latter's support is stronger in Deputies than in Senate.

DAWSON

710.11/12-1545: Telegram

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

PORT AU PRINCE, December 15, 1945—2 p. m.

[Received 3:52 p. m.]

391. Foreign Minister ⁵⁵ has furnished me today text of his note to the Uruguayan Foreign Minister in reply to the latter's proposal concerning multilateral action against any American state violating elementary human rights.

The Haitian Govt considers that such a policy would arouse suspicion and discord tending to destroy the harmony on which inter-Embassy system rests. It remains firmly attached to the principle of non-intervention recognized at the Conference of Montevideo of 1933, and it considers that a collective multilateral action is inconsis-

⁵⁵ Gérard Lescot.

tent with the provisions of part II of the UNO (United Nations Organization) charter.

The note adds that it is not possible to draw a clear distinction between individual intervention and collective multilateral action as the effects of the latter might easily be confused with the former. It concludes by stating that the Haitian Govt has always collaborated in perfecting the inter-American system and that it is prepared to proceed to an exchange of views with the other republics to seek a means to achieve the ends sought by the proposal of the Uruguayan Govt.

Copy and translation will be forwarded by airmail.⁵⁶

WILSON

710.11/12-1745: Telegram

The Chargé in the Dominican Republic (Scherer) to the Secretary of State

CIUDAD TRUJILLO, December 17, 1945—4 p. m.

[Received 11:26 p. m.]

486. I have just received from the Foreign Minister ⁵⁷ a copy dated December 14 of his reply to Uruguayan Foreign Minister expressing disapproval of Uruguayan proposal. He states that the proposal of intervention is incompatible with that of national sovereignty and is contrary to positive American international law and would destroy the continental solidarity so brilliantly demonstrated in San Francisco.⁵⁸ He says it would be better to use the present Inter-American sanctions and to strengthen them until the spread of disturbing political doctrines is made impossible. He feels that the vitality of the Pan-American system will be sufficient to deal with imperialistic expansion. He concludes that his Government is willing to consult regarding means for protecting human liberty which are contrary to judicial traditions. Text follows. No indication given of date for publication of document.

SCHERER

⁵⁶ Not printed.

⁵⁷ Manuel A. Peña Batlle.

⁵⁸ The United Nations Conference on International Organization; for documentation on the Conference, see vol. I, pp. 1 ff.

710.11/12-1745 : Telegram

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

HABANA, December 17, 1945—6 p. m.

[Received 7:31 p. m.]

804. My 800, Dec. 15.⁵⁹ The Minister of State,⁶⁰ who had further studied Uruguayan initiative over weekend, informed me this morning that Cuban reply would be basically in harmony with initiative. While Cuba jealously defends principle of non-intervention, conditions which might affect defense of Americas were paramount and matter of common concern. He felt, however, that situation might best be analyzed by consultation through diplomatic channels.

NORWEB

833.00/12-1945 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extract]

MONTEVIDEO, December 19, 1945.

[Received January 2, 1946—9:12 a. m.]

A-430. Reference Embassy's airgram no. 384, November 16, 1945,⁵⁹ concerning political situation and developments:

(1) Political interest and activity have centered around Foreign Minister's initiative of November 21 with respect to multilateral pronouncement aimed at preventing use of non-intervention principle as shield to cover violation of human and civil rights, protection of Axis agents, etc. Proposal was seized upon by opposition for vigorous and bitter attack on Government, culminating in long debate in Senate in which opposition motion condemning Foreign Minister's action was defeated by margin of only one vote (16 to 15). Opposition has not given up and is now seeking to embarrass Government by exploiting allegation that initiative was U.S.-inspired. Press has devoted and continues to devote much space to terrific editorial battle over initiative, position of various newspapers being determined in main by their domestic political affiliations. (Initiative and developments to which it has given rise have been fully covered by Embassy in special reports—see in particular despatch no. 6704, December 12.)⁶¹

DAWSON

⁵⁹ Not printed.⁶⁰ Alberto Inocente.⁶¹ Missing from Department files.

710.11/12-2045 : Telegram

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

SAN SALVADOR, December 20, 1945—4 p. m.

[Received 9 : 17 p. m.]

352. Foreign Minister ⁶² in reply to my note containing Secretary's statement on Uruguayan initiative states that his Government cannot agree with Uruguayan Foreign Minister's conclusions, although accepting parallelism between democracy and peace. He says, "My Government considers that rule of action proposed by distinguished Uruguayan Foreign Minister would weaken if not overthrow principle of nonintervention whose maintenance is indispensable and of vital importance to the respect for the sovereignty of our countries and to the establishment on the Continent of an atmosphere of confidence and peace. To accept it, would be to establish a dangerous precedent especially for the weak countries" after asserting that El Salvador has always supported doctrine of nonintervention, he asserts that the same reason against intervention by one state applies to collective intervention. He declares "moreover there is serious doubt whether the proposal of the distinguished Uruguayan Foreign Minister could be included in the international American juridical system as a regional agreement compatible with the purposes and principles of the United Nations." In conclusion he states that his Government agrees to discuss the matter at the Rio Conference.

Text by airmail.⁶³

GADE

710.11/12-2045

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

No. 27,767

MEXICO, December 20, 1945.

[Received January 2, 1946.]

SIR: I have the honor to refer to the Department's circular telegram of November 24 with respect to the Uruguayan initiative, and to despatches Nos. 27,405 of November 28, 27,428 of December 4, 27,653 of December 12, 27,656 of December 13, and 27,662 of December 14,⁶⁴ all bearing on the Uruguayan initiative.

With my despatch No. 27,653 of December 12, 1945, I transmitted a copy of an *aide-mémoire* left with the Minister of Foreign Rela-

⁶² Hector Escobar Serrano.⁶³ Not printed.⁶⁴ None printed.

tions, based on the Department's telegram of December 8, 8 a. m., as well as a translation of the reply of the Foreign Office to the Uruguayan note, and addressed to the Uruguayan Government. The department will have noted from despatch No. 27,656 of December 13, that the editorial comment in all of the Mexico City newspapers was uniformly in support of the Mexican reply to the Uruguayan initiative.

On the evening of December 17, I had an opportunity of discussing this matter with the Foreign Minister⁶⁶ and with particular reference to the Department's circular telegram of December 8, 8 a. m. I expressed to the Minister some disappointment that the reply of the Mexican Government did not support fully the Uruguayan initiative, which was felt by my Government to be of primary importance and of deep significance in the development of inter-American relationships. The Minister said that he thought a careful reading of his note did not imply that the attitude of the Mexican Government was fundamentally opposed to the basic idea underlying the Uruguayan initiative. He said that the basic attitude of the Mexican Government was that the principle of non-intervention in the internal affairs of other countries had been one of the most precious achievements of inter-American relationships and that it was a principle which had, at all costs, to be safeguarded and consolidated. On the other hand, he said that he recognized, and the Mexican Government recognized, that the sovereignty of States, in the old conception, had to be changed and that he had supported this idea from time to time in public addresses. He referred to an address which he had made in the United States some years ago, in which he had said that, just as the small communities and municipalities had had to give up some of their liberty of action to the States in the United States, and as the States had had to give up some of their prerogatives to the Federal Government, so the Federal Government of the United States would have to be prepared to limit its field of sovereignty. The same idea, the Minister said, applied to other countries. He was therefore definitely a partisan of the idea that the concept of sovereignty had to be changed in certain respects and somewhat narrowed, and he was sure that this was the concept of thoughtful people in Mexico and also in others of the American Republics.

He recalled to me that in the Mexico City meeting in February of this year, the Mexican Delegation had presented in the appropriate committee a resolution on the rights of man,⁶⁷ which resolution had

⁶⁶ Francisco Castillo Nájera.

⁶⁷ See *Report of the Delegation of the United States of America to the Inter-American Conference on Problems of War and Peace, Mexico City, Mexico, February 21-March 8, 1945* (Washington, 1946), p. 156.

been very carefully considered by the Mexican Government before presenting it and on which it placed considerable weight. He said that the resolution did not meet a favorable reception in the committee and was therefore not adopted by the Mexico City meeting.

He said that at the conference in San Francisco of the United Nations, the Mexican Delegation had again presented a resolution on the rights of man, somewhat along the lines of the one presented at the Mexico City meeting. He said that again the resolution had little favorable reception in the committee and, if he recalled correctly, the United States member of the committee had not been favorably disposed towards the resolution.

The Minister then went on to say that it was the opinion of the Mexican Government, which it had endeavored to make clear in the note to Uruguay, that the rights of man would have to be defined before the Uruguayan initiative could be safely carried through. Without a clear definition of such rights of man, there was no established norm by which violation thereof could be established. This left too much room for difficulties arising under attempts to intervene under the Uruguayan initiative. It was only when there had been agreement among the United Nations, or among the American States, as to the "rights of man" that violations of civil liberty could be established and that any collective action in consequence thereof could be taken safely and without violating the principle of non-intervention.

The Minister said that he had read with a great deal of interest and care the observations which we had made with regard to the Uruguayan initiative. He said that in his opinion and that of the Mexican Government, there was not yet the possibility of initiating consultation with regard to violations of the rights of man in any American country, as the consultative procedure as established in various inter-American conferences had not foreseen this particular type of consultation. He spoke in some detail of the three points set forth in the Department's telegram of December 8 and said that he thought that some such procedure as that which we had outlined therein as feasible might be feasible once the consultative procedure among the American States had been adequately enlarged by them to include this type of consultation.

The Minister expressed the opinion that it was not possible to reach agreement among the American States on the Uruguayan initiative through correspondence between Foreign Ministries. He felt that the matter was of primary importance and could only be treated in an inter-American meeting. Any other form of treating the matter would be ineffective in his opinion. He expressed the opinion that the Uruguayan initiative, and the subject of enlarging and broadening the concept and scope of consultation could well be placed as one

of the items on the agenda of the meeting to be held in Rio de Janeiro of the American States, in the latter half of February, 1946.⁶⁸

I have only given a very brief summary of the conversation with the Minister. The observations which he made and which I set forth in this despatch somewhat amplify and clarify the note which the Mexican Government sent to the Uruguayan Government and are somewhat more encouraging as to what the ultimate attitude of the Mexican Government may be with respect to the Uruguayan initiative.

So far as the idea of sanctions is concerned, the Minister said that the Mexican Government had, by its previous attitudes in recent years, shown that it was not averse to the idea of sanctions. It had shown its willingness to go along with sanctions when the Abyssinian question was before the League.⁶⁹ It was his opinion that once the inter-American system of consultation permits collective action with regard to violations of the rights of man in any country, that the necessary ends could be met by the application of sanctions of various kinds other than the use of armed force.

I shall not fail to discuss the matter of the Uruguayan initiative further with the Foreign Minister when any favorable opportunity may present itself, and I shall keep the Department informed of such conversations.

I have the impression that the Mexican Foreign Minister, Dr. Castillo Nájera, would not wish the thoughts which he has conveyed to me, as reported in this despatch, to go further than our own Government at this time. He did not give any indication to this effect, but I have this very definite impression. I would therefore strongly recommend that this expression of views of the Foreign Minister not be conveyed to our other Chiefs of Mission in the American Republics through any background circulars or bulletins which we may issue. I think the Foreign Minister intended that we should have this information concerning his views and those of the Mexican Government, and this indication of the views which Mexico might eventually take, but I think it would be prejudicial to a receptive attitude by the Mexican Government for these expressions of the Foreign Minister to get into the hands of other Governments in the American Republics, except through him.

Respectfully yours,

GEORGE S. MESSERSMITH

⁶⁸ Assembled in August–September, 1947. For documentation on the postponement of this Conference, see pp. 172 ff.

⁶⁹ See listing of Mexico in memorandum giving status of League sanction proposals as reported from Geneva, to December 9, 1935, *Foreign Relations*, 1935, vol. I, p. 695.

710.11/12-2245 : Telegram

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

TEGUCIGALPA, December 22, 1945—noon.

[Received December 26—9:43 p. m.]

279. Honduran Minister for Foreign Affairs,⁷⁰ in a five page memorandum delivered to this Embassy one hour ago, states that the "Government of Honduras desires that the non-intervention principle as agreed upon in inter-American conferences be maintained, and cherishes the hope that through the means established in the Charter of the United Nations there may be encouraged, in countries where it may be necessary, due respect for the essential rights of man and for the fundamental liberties of all."

The memorandum concludes with an expression of willingness to discuss means by which "essential rights can be maintained without impairing the sovereignty and political independence of the nations."

Honduras thus rejects the Uruguayan proposal. Copy of memorandum will be forwarded in the next pouch.⁷¹

ERWIN

710.11/12-2745 : Telegram

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

[Extract]

BOGOTÁ, December 27, 1945—7 p. m.

[Received December 28—11:16 a. m.]

1523. Today Foreign Minister⁷² handed copy of Colombian answer to Uruguayan note to representatives of all American Govts after stating answer had been delivered today to Uruguayan Foreign Minister. Text follows:

"On Nov 21 Your Excellency communicates with this Ministry and the other American Foreign Offices concerning the desirability of discussing the possibility of an international action for the purpose of protecting the essential rights of man and of the citizen, and Your Excellency explained in an elevated sense consistent with the spirit of the nation which you represent, the doctrine that such effective protection is not incompatible with the policy of non-intervention to which are so closely attached the states of this hemisphere. Your Excellency concluded your note with the thought that our Foreign Offices ought to present in the face of well-known events, a multilateral

⁷⁰ Silverio Laínez.

⁷¹ For text, see República de Honduras, *Memoria Presentada al Congreso Nacional por el Secretario de Estado en el Despacho de Relaciones Exteriores, 1945-1946* (Tegucigalpa, 1947), p. 122.

⁷² Fernando Londono y Londono.

collective declaration using in it some of the measures which are suggested in the note under reference, such as an advisory commission, a consultation or the inclusion of the subject in the agenda of the projected Rio de Janeiro Conference.

The Govt has carefully studied Your Excellency's note and although on the occasion of previous consultations it had expressed in part its thought on collective international action with respect to the internal policy of the States, I wish to express once more its opinion, principally motivated by the fear of disagreeing in a question of such importance with some of the ideas expressed in Your Excellency's note and with the certainty that a broad discussion of this subject now taking place with respect to your note can save the American continent subsequent controversies on such a delicate matter.

With respect to international protection of the essential rights of man and of the citizen, Colombia, like Uruguay, has only a universal and especially continental interest. She has adopted and strictly carried out for many years a series of constitutional principles which guarantee them fully and her people live under the protection of these rules as is well-known to anyone who has desired or had the opportunity to prove it. Her greatest desires are therefore that throughout the world there may be a similar protection and that there may not exist any discrimination of races, creeds, parties, or philosophical ideas in extending the broadest protection to the individual such as we Colombians believe we have guaranteed for all the inhabitants of our territory. Nevertheless, Colombia has the greatest respect for the peoples who have adopted other regimes based on different political systems and her tradition has been the preservation with all the nations of the world, but especially with those of the hemisphere of friendly relations without examining the type of organization of their society or the forms of their govts and without comparing them with those which prevail in our country.

In Mexico and at San Francisco discussions of great importance took place on the manner of making effective the protection of the essential rights of man. At the first of these conferences we Americans came up first against the initial obstacle of not yet having a declaration approved by all the states with respect to the extent and limits of those rights and therefore against the impossibility of creating an organism with any international jurisdiction to oversee compliance with it without weakening the principle of non-intervention or without providing a pretext for breaking such a principle and with it the harmony of the hemisphere. It is true that the American States have declared their adherence to the democratic ideal but it is also true that that ideal is practiced in very different ways in the continent and that while a precise definition of the rights of man which are to be protected in each country, approved by all the interested govts, does not exist, it is nevertheless a source of friction to try to protect them internationally by multilateral action, which in accordance with our procedures would require only the majority opinion of the American States. It would not suffice to recall very respectfully to Your Excellency the difficulties which presented themselves even in connection with the formal recognition of such clear principles as that of non-racial discrimination to think how others would arise as soon

as they might conflict with the juridical and political characteristics of each of our states.

As far as threats to the security and the peace of the world and especially of the continent are concerned, Colombia goes as far or even farther than any other member of the United Nations or of the Pan American Union. My Govt believes, for example, that the foreign policy of a state which notoriously only can be fulfilled by means of force, is a threat to peace, and the fact that it may be approved by her people makes it even more dangerous than if it were promulgated by an unpopular political regime.

Colombia believes that it is not an act of intervention in the internal affairs of a state to watch the development of a foreign policy which may constitute a menace to peace or security, and that any foreign policy, although it may not be the official one of the state, as long as it implies a menace to peace or as long as it could only fully be achieved by means of war, must be watched; and even more so if such a foreign policy pretends to and succeeds in arousing a certain public agreement permitting the promoters to obtain control of the state. But at the same time Colombia believes that world organization has not yet reached such a degree of maturity as to permit the establishing of essential norms of organization for each state, to which all those which form the society of nations would submit themselves; and that it is very difficult, if not impossible, to guarantee the essential rights of man throughout the world under such diverse political regimes, because democracy is not only an ideal, but also, and in great part, a series of procedures to make effective the rights of man.

Not existing, as in fact it does not exist, a uniform political regime in the world, and not even in our own America, in spite of its adherence to the democratic ideal, would we not run great risks in passing judgment upon the internal acts of a state, its policy, and the protection which it gives to the essential rights of each man and each citizen? Is it possible to affirm that the democracies, such as the Govt of Your Excellency or my Govt conceive them, are serious majorities in the organized group of nations? If they are today, will they always be? Colombia has been able to agree, after a serious process of struggles and difficulties, on what are the rights of man and of the citizen within its territory, and I doubt very strongly that her inhabitants would be willing to introduce changes in that criterion, even though the majority of the nations of the continent and the world might find it at fault. And Colombia understands that what could be said of her, could occur and would occur undoubtedly to any other American or world state, no matter what its internal political regime may be, or the degree of protection which it gives to those rights.

But undoubtedly there arises around this theme, the essential problem of non-intervention. It has cost the American peoples a great deal to consecrate this principle, and this principle has not only been adopted in international declarations, but also in practice after occurrences which today in our relations are not considered adverse factors, but which no one on our continent has forgotten. The great historical rectification of the last years is obviously and above all a rectification; which implies that there were acts contrary to that policy of non-intervention which for a long time made impossible the Ameri-

can solidarity it stands before the world today. The evident disproportion in strength among the different American countries makes it even more necessary to have a policy that will be only beneficial to the smaller and defenseless nations, since it is impossible to conceive of the effectiveness of the intervention of a small state or a group of small states in the internal or external affairs of a great power.

Having given the ideas of Your Excellency the consideration which they deserve, I would also venture to point out the danger through a system of declarations, even though they may be multilateral, regarding the protection which a country is to give the essential rights of men and of the citizen, we might make impossible the future harmony of the continent, which has cost such great effort, patience and discretion to entire generations of diplomats and statesmen of this Hemisphere.

These declarations, which would imply the disqualification of any one of our Republics, would not be made without a series of vexatious investigations, nor without a struggle wherever they might arise. And if it is true that peace is indivisible, as has been said, and that there exists a strong parallelism between democracy and peace, it is well to remember that America is also indivisible and that by [*for?*] merely attempting violation of continental peace and security there could [not?] be brought against one of our nations a sanction imposed by the others without risk of rupturing permanently the unity of our peoples and the harmony of our states. But, moreover, what harmony could there be, granted the existence of a control system for the protection of the rights of man and of the citizen when the international American policy would be subjected to the intrigues and agitations of all factions and groups which they may consider, justly or unjustly, victims of a deprivation of these rights? And how could any action be taken, with certainty, without fear, except through the medium of investigative commissions which would put an end completely to the concept of sovereignty, so dear to our peoples, sovereignty which they only bestow and renounce in the face of the necessity of conserving international peace and world security?

For these reasons Your Excellency will understand that Colombia does not completely share your respected and estimable concepts, with respect to their application or with regard to the procedure for putting them into operation, although subscribing to them in the abstract, as a thesis that seems to have been proved by the harsh experiences of recent years. Colombia, certainly, will discuss this theme whenever it is brought to the consideration of any American or United Nations Assembly, with the greatest deference for those who propose it. But she refrains from taking the initiative in proposing it, and in the light of experiences at Chapultepec and San Francisco and the results of deliberations which took place on this point before the commissions of these two Conferences, Colombia deems it unnecessary to promote a special meeting for dealing with the matter again.

I should not close without offering Your Excellency my most sincere congratulations for the effort which Your Excellency's Govt has put forth in defense of the principles to which all men of good will in this hemisphere and all just nations of the earth render tribute and which many of them have consecrated in their institutions."

710.11/12-2845

The Chargé in Peru (Trueblood) to the Secretary of State

No. 789

LIMA, December 28, 1945.

[Received January 5, 1946.]

SIR: With reference to the Embassy's telegram No. 1300 of December 27, 1 p. m.,⁷³ concerning Peru's reply to the Uruguayan note, I have the honor to report that the Uruguayan Ambassador, Dr. Enrique Buero, informed me today that following his last talk with Foreign Minister Correa there seems some prospect for a favorable reply, at least in principle, from the Peruvian Government. Dr. Buero said that the viewpoints expressed in the Department's circular telegram of December 8, 8 a. m., and conveyed by me to Dr. Correa on December 10, had had considerable influence in swinging the Minister's opinion around. Dr. Buero did not disguise his belief, however, that pressure from the APRA Party,⁷⁴ which as the Embassy has reported, favors the proposal, has been particularly helpful in this connection. He stated that Minister of Finance Carlos Montero Bernales, following his return from Washington, had in a full meeting of the Cabinet expressed hearty approval of the Uruguayan proposal.

Dr. Buero also stated that the Peruvian Foreign Office has been influenced in its consideration of the Larreta Plan by the stand taken at the Pan American Conference of 1928 in Habana⁷⁵ by the distinguished Peruvian international lawyer, Dr. Maurtua. Apparently on that occasion Dr. Maurtua presented a plan which bears some similarity to that now under consideration.⁷⁶

Respectfully yours,

EDWARD G. TRUEBLOOD

⁷³ Not printed.⁷⁴ Partido del Pueblo.⁷⁵ The Sixth International Conference of American States; for documentation, see *Foreign Relations*, 1928, vol. I, pp. 527 ff.⁷⁶ In telegram 27, January 8, 1946, 1 p. m., from Lima, it was indicated that Peru wished to proceed cautiously, leaving the matter to the forthcoming inter-American conference at Bogotá (710.11/1-846).

PARTICIPATION OF THE UNITED STATES IN THE THIRD INTER-AMERICAN RADIO CONFERENCE HELD IN RIO DE JANEIRO, SEPTEMBER 1945

[The documentation on this Conference is not printed. The report of the Chairman of the American delegation, Adolf A. Berle, Jr., was transmitted to the Department in despatch 3308, October 25, 1945 (576 K 3/10-2545). The Convention that was agreed upon at the Conference was not transmitted to the Senate for its approval. The text appears in the *III Conferencia Interamericana de Radio Comunicaciones, Rio de Janeiro, September de 1945*, issued by the Brazilian Departamento dos Correios e Telégrafos in 1946 at Rio de Janeiro.]

INFORMAL GOOD OFFICES OF THE UNITED STATES IN
THE ESTABLISHMENT OF DIPLOMATIC REPRESENTA-
TION BETWEEN THE SOVIET UNION AND CERTAIN OF
THE AMERICAN REPUBLICS¹

732.61/3-1045

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 10, 1945.

Mr. Pedro Leão Velloso, Brazilian Acting Minister for Foreign Affairs, who is now visiting Washington as the guest of this Government, called on me today and said that some time ago the Soviet Ambassador in Mexico, the late Mr. Oumansky, had approached the Brazilian Embassy in Mexico with a view to the resumption of diplomatic relations between the two countries. Mr. Velloso said that his Government is now prepared to proceed with this matter and would like the arrangements to be made in Washington and, if possible, to have the State Department act as go-between. He therefore asked me if I would approach the Soviet Ambassador with a view to arranging a meeting between Mr. Gromyko and himself and Ambassador Martins² at the State Department as early as possible next week because the Minister must leave Washington on Wednesday the 14th. I said to Mr. Velloso that this proposed procedure seemed to me a little unusual and might possibly set an undesirable precedent but that I would look into the matter and would let him know promptly of our reaction. The Brazilian Ambassador said that the procedure might be unusual but this was an unusual case, especially as Brazil had never actually broken relations with Russia but had merely withdrawn its diplomatic mission from St. Petersburg at the time of the revolution, and that this step would be merely a resumption of relations. I repeated that I would explore the matter.

JOSEPH C. GREW

¹ For a bracketed note on the attitude of the United States with respect to the establishment of diplomatic relations between the American Republics and the Soviet Union in 1944, see *Foreign Relations, 1944*, vol. VII, p. 170.

² Carlos Martins, Brazilian Ambassador in the United States.

732.61/3-1245

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 12, 1945.

The Brazilian Ambassador called on me this morning at my request and, with reference to my talk with Mr. Velloso, Acting Minister for Foreign Affairs of Brazil, and Mr. Martins on March 10, I said that I would be very happy to offer my good offices to initiate conversations in Washington with a view to the resumption of diplomatic relations between Brazil and Soviet Russia. I said that I had looked into precedents and had found that, in the case of Cuba and Uruguay, the Ambassadors of those countries had, on their own initiative, called on the Soviet Ambassador in Washington in order to start the procedure. In the case of Chile, Mr. Stettinius, when Under Secretary of State, had offered his good offices and had arranged for Mr. Gromyko to receive Mr. Mora, the Chilean Ambassador. As a result of that conference, after consultation with Moscow, the Chilean and Russian Ambassadors had exchanged notes establishing diplomatic relations between the two countries. I asked Mr. Martins whether the same procedure would be acceptable in this case. Mr. Martins replied that he would be ready to call on the Soviet Ambassador after I had approached the latter but in this case the Brazilian Acting Minister for Foreign Affairs, Mr. Velloso, who is now in Washington, is anxious to talk to the Soviet Ambassador himself and would be glad if such a meeting could be arranged by the State Department. I replied that while I thought there were some disadvantages to holding such a meeting in the State Department itself, I would be very glad, if Mr. Velloso so desired, to invite him and the Brazilian Ambassador, as well as the Soviet Ambassador, Mr. Gromyko, to come to my house informally, where the desired conversation might be held, but that of course I would first have to ascertain the views of Mr. Gromyko with regard to this procedure. Mr. Martins said that it would be quite satisfactory if I were to approach Mr. Gromyko in the hope that such a meeting could be arranged. I said that I would do this as soon as possible and would let the Ambassador know the result.

JOSEPH C. GREW

732.61/3-1345

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 13, 1945.

The Soviet Ambassador came to see me this afternoon at my request and I told him that the Acting Foreign Minister of Brazil, Mr. Velloso, an old colleague of mine in Japan, is now in Washington

and would like to get into touch with the Soviet Ambassador with a view to initiating conversations looking to the establishment of diplomatic relations between Brazil and Soviet Russia. I said I understood that the matter had first been broached by Mr. Oumansky, the late Soviet Ambassador in Mexico, but that after Mr. Oumansky's untimely death the Brazilians preferred to have the conversations take place in Washington. Mr. Velloso has asked my good offices in placing him in touch with Mr. Gromyko, and I said that I would be very glad to do this in an informal way, and I thought that the best arrangement would be for Mr. Velloso and Mr. Gromyko to meet at a favorable opportunity at my house. As Mr. Velloso had planned to leave Washington tomorrow—although he would be willing to postpone his departure for a day if necessary—it would be very helpful, provided Mr. Gromyko concurred, to have the meeting take place at my home this evening, and I suggested either the hour of seven o'clock or after a dinner which Mr. Velloso and I are both attending.

The Soviet Ambassador said that, according to his understanding, Mr. Oumansky had not taken the initiative in broaching this question in Mexico, but that there had been an exchange of views between him and the Brazilian Ambassador. Mr. Gromyko said that he would be very glad to meet Mr. Velloso either at his own Embassy or at my house. I said that Mr. Velloso, in view of his position as Acting Foreign Minister, would prefer that the meeting take place in a neutral spot. Mr. Gromyko accepted this view and said that he would be very glad to come to my house this evening after our dinner had broken up. I telephoned to Mr. Velloso, who concurred in this arrangement, and I said that I would telephone to Mr. Gromyko from the Carlton Hotel at the end of our dinner so that we could all proceed immediately to my house at that time.

JOSEPH C. GREW

732.61/3-1245

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 13, 1945.

Participants: The Acting Minister of Foreign Affairs of Brazil, Mr. Velloso
The Ambassador of Brazil, Mr. Martins
The Soviet Ambassador, Mr. Gromyko
The Under Secretary, Mr. Grew

The Acting Minister of Foreign Affairs of Brazil, Mr. Velloso; the Brazilian Ambassador, Mr. Martins; and the Soviet Ambassador, Mr. Gromyko, met this evening at my house at eleven o'clock. I introduced Mr. Gromyko to Mr. Velloso and after some personal conver-

sation Mr. Velloso referred to the exchange of views which had taken place between the late Mr. Oumansky and the Brazilian Ambassador in Mexico and said that his Government desired to establish diplomatic relations with the Soviet Government. Mr. Gromyko said "Am I to take that as a formal proposal?" Mr. Velloso replied in the affirmative. Mr. Gromyko then said that he would refer the matter to his Government and would get in touch with the Brazilian Ambassador when a reply was received. I said that I was very happy that this important meeting had taken place in the informality of my home. Those present expressed appreciation.

JOSEPH C. GREW

732.61/3-1645

Memorandum of Conversation, by the Acting Secretary of State

[WASHINGTON,] March 16, 1945.

The Soviet Ambassador called on me this afternoon at his request and, with reference to the conversation which had taken place at my house on the evening of March 13 between Mr. Velloso, the Acting Minister for Foreign Affairs of Brazil, and the Soviet Ambassador, in which Mr. Velloso had said to Mr. Gromyko that his Government would like to establish diplomatic relations with the Soviet Government, Mr. Gromyko said that he had had a reply from Moscow and that the reply was favorable. In view of the Brazilian proposal, the Soviet Government would be glad to establish diplomatic relations with Brazil. Mr. Gromyko suggested that the best way to proceed would be for the Brazilian Ambassador, Mr. Martins, to call on him at his Embassy in order to discuss the necessary arrangements. I said that I would immediately approach Mr. Martins in order to ascertain his views.

I thereupon telephoned to the Brazilian Ambassador, who said that he would be very glad to call on Mr. Gromyko at the Soviet Embassy and I suggested that the best arrangement would be for him to call Mr. Gromyko on the telephone and make an appointment. Mr. Martins assented and said he would do so.³

JOSEPH C. GREW

³ On March 30 the Brazilian Ambassador informed the Acting Secretary of State that an agreement had been reached with the Soviet Government for the establishment of diplomatic relations between Brazil and the Soviet Union (732.61/3-3045).

724.61/3-2145 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, March 21, 1945—5 p. m.

[Received 9:07 p. m.]

318. I was advised by the Bolivian Foreign Minister this afternoon that press reports of the impending establishment of relations between Bolivia and the Soviet Union are correct. He stated that he had discussed this matter with the Secretary and Mr. Rockefeller in Mexico ⁴ and that they were "enthusiastic". He said that personally, however, he was not so enthusiastic and entertained misgivings as to the eventual consequences of the proposed action.

Chacón stated that the actual negotiations for the establishment of relations will be carried on in Washington and Mexico City and that Enrique Baldivieso, a former Vice President and Foreign Minister, probably will be sent to Moscow as the first Bolivian representative.

Chacón also stated that he understands that Litvinov ⁵ will take Oumansky's place in Mexico.

THURSTON

701.1461/4-2645

Memorandum by the Chief, Mexican Division (Carrigan) to the Assistant Chief, Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] March 26, 1945.

MR. COCHRAN: Ambassador Messersmith ⁶ telephoned me this morning to state that Ambassador Toriello of Guatemala ⁷ called on him yesterday, to tell him that he was definitely leaving for Guatemala City on Wednesday and that he had accepted appointment as Foreign Minister.

The Ambassador said that he had become fond of the Guatemalan Ambassador and that their relations were very friendly.

The Ambassador said that Toriello had told him that the Guatemalan legislature had recommended to the executive that Guatemala open relations with the Soviet. He said that the executive seemed disposed to accept this recommendation and that the situation had reached a point such that Guatemala would very probably open relations.

⁴ Assistant Secretary of State Nelson Rockefeller and the Bolivian Minister for Foreign Affairs, Gustavo Chacón, were members of the Inter-American Conference on Problems of War and Peace that met in Mexico City in February and March 1945.

⁵ Maxim Litvinov, Deputy Commissar for Foreign Affairs in the Soviet Union.

⁶ George S. Messersmith, United States Ambassador to Mexico.

⁷ Guillermo Toriello, Guatemalan Ambassador to Mexico.

Toriello said that there was some question in his mind if this should be done before San Francisco.⁸

He asked Mr. Messersmith if he thought well of the idea of opening relations and if he had any comment as to the timing.

Mr. Messersmith told him that he was not in a position, as American Ambassador, to give him any advice, either official or unofficial, but that, purely personally and off the record, he thought it was a good idea. He said that the ball was rolling anyway, and that he could see no great importance whether or not it were done before or after San Francisco. Mr. Messersmith asked that I tell him this afternoon or tomorrow morning if there is any unofficial hint that the Department might offer.

I suggest it might be well to tell Mr. Messersmith that we are not in a position to give any advice for obvious reasons, but that we have no objection to what he told Toriello and that he may say, if he wishes, that we would be glad to offer any facilities.

Will you let me know, as I have to telephone Mexico anyway? ⁹

724.61/4-545 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ [undated].

[Received April 5, 1945—5 : 19 p. m.]

374. Embassy's 318, March 21, 5 p. m. Colonel Ponce, Minister of Public Works, who is generally considered to be pro-Nazi, spoke to me last evening at considerable length with respect to the Soviet Union. He indicated that it is his understanding that the Government of the US is promoting the establishment of diplomatic relations between the American Republics and the USSR and that the question of the general recognition of the Soviet Union by all American Republics that have not yet done so will be brought up at the San Francisco Conference. I stated to Ponce that I was quite certain we have not taken the initiative in bringing together the Soviet Union and those Latin American States which have recently recognized it, but that in each case the action was spontaneous on the part of the Republic concerned. I also stated that I had no reason to believe that any such proposal as he mentioned would be made at San Francisco.

Ponce, whose views were ratified by Colonels Eordan and Inmacho (both believed to be intelligent and friendly to the US) stated that he

⁸ The United Nations Conference on International Organization, April 25-June 26, 1945.

⁹ In a memorandum of March 26, 1945, Cochran advised Carrigan that Messersmith's position was "entirely correct." (701.1461/4-2645) Despatch 2424, April 23, 1945, from Guatemala City, referred to the formal establishment of relations between Guatemala and the Soviet Union as completed (714.61/4-2345).

is convinced that the Soviet Union has concealed but not changed its doctrinal views during recent years, is an inimical force and that once it establishes itself in Latin America it will work against the interests of the US. With regard to Bolivia he stated that the uneducated masses of the country are peculiarly susceptible to communistic indoctrination and will respond readily to the Soviet propaganda which the Soviet diplomatic mission here undoubtedly will spread. He stated that the PIR¹⁰ is closely affiliated with the communistic movement and with comparable organizations in Chile. He concluded his observations by the flat statement that the Army is definitively opposed to the establishment of relations with the Soviet Union.¹¹

THURSTON

723.61/8-2845

*Memorandum of Conversation, by the Assistant Secretary of State
(Dunn)*

[WASHINGTON,] August 28, 1945.

Acting upon the request of the Peruvian Ambassador¹² which was concurred in by the Office of the American Republics, I asked Mr. Novikov, Chargé d'Affaires of the Soviet Embassy, to come in this morning at 12:00 o'clock noon.

I told Mr. Novikov that the Peruvian Government had asked the United States Government to express to the Soviet Government the desire of Peru to establish diplomatic relations with the Soviet Union in order to complete its relationship with all the members of the United Nations and that the Peruvian Ambassador in Washington had been authorized to take the matter up with the Soviet Embassy. I said that as the Peruvian Embassy had no communication with the Soviet Embassy, this Government, upon request of the Peruvian Government, was happy to convey this information to Mr. Novikov and to ask the Soviet Chargé d'Affaires if he would ascertain whether his Government was prepared to discuss with the Peruvian Government this extension of friendly relations between the two Governments. I said that if the Soviet Government were to accede to this suggestion, upon receiving notification to that effect, the Department of State would inform the Peruvian Ambassador accordingly and would arrange for the Peruvian Ambassador and the Soviet Chargé d'Affaires to meet at some time convenient to each other with a view to continuing directly between them the discussion of the arrangements for the establishment

¹⁰ Partido de la Izquierda Revolucionaria.

¹¹ Relations were in fact established on April 18, 1945, by an exchange of notes between the Ambassadors of the Soviet Union and of Bolivia in the United States.

¹² Pedro Beltrán.

of diplomatic relations. I further said that I was proceeding to London next Monday. Mr. Novikov, upon receiving the reply from his Government, would communicate with Mr. Matthews, Director of the Office of European Affairs, who would see that the Peruvian Ambassador was informed accordingly.

Mr. Novikov stated that he was very pleased to hear of this decision of the Peruvian Government and hoped that his Government would accede to this request. In any event he would communicate immediately to Moscow and would let Mr. Matthews know of the response of his Government.

JAMES CLEMENT DUNN

723.61/9-1145

Memorandum of Conversation, by the Director of the Office of European Affairs (Matthews)

[WASHINGTON,] September 11, 1945.

Mr. Novikov called on me yesterday afternoon at his request and referred to his conversation with Mr. Dunn on August 28. He said that the Soviet Government had given sympathetic consideration to the initiative taken by the Peruvian Government in its desire to establish diplomatic relations between the Soviet Union and Peru. Mr. Novikov said that his Government is inclined to give a favorable reply and that he had been authorized to discuss the question directly with the Peruvian Ambassador in Washington. He asked me to communicate with the Peruvian Ambassador and to suggest that the latter get in touch directly with him and arrange a time for a meeting. I told Mr. Novikov that I was glad to hear that his Government and the Peruvian Government, with both of which the United States has friendly and cordial relations, are considering establishing relations, and that I would be happy to communicate his suggestion to the Peruvian Ambassador. I said that it was my understanding that thereafter the Soviet Embassy would conduct its negotiations directly with the Peruvian Ambassador and that further action by the Department was not desired. Mr. Novikov said that this understanding was correct.

[Here follow two paragraphs on other subjects.]

This morning I telephoned the Peruvian Ambassador and informed him of what the Soviet Chargé d'Affaires told me in reply to the Peruvian Ambassador's inquiry and he expressed his appreciation. He said that he would immediately get in touch directly with Mr. Novikov.

GENERAL POLICY CONCERNING THE SETTLEMENT OF
LEND-LEASE OBLIGATIONS BY THE AMERICAN RE-
PUBLICS AND THE SALE TO THEM BY THE UNITED
STATES OF ARMS AND MUNITIONS OF WAR ¹

Nat. Archives R.G. 353 : SWNCC 4

*The Subcommittee for Latin America to the State-War-Navy
Coordinating Committee*

[WASHINGTON,] February 15, 1945.

Lend-Lease to the other American republics was initiated at a time when the hemisphere was in imminent danger of attack by the Axis. Agreements were entered into with eighteen other American republics ² (all except Argentina and Panama) authorizing the delivery of Lend-Lease material to a maximum amount of \$425,890,000, and providing for financial settlements on terms varying from country to country. Under these agreements materials have been delivered to the other American republics for the purpose of hemisphere defense.

Efforts are being made to obtain complete and accurate information from the Foreign Economic Administration concerning the value of Lend-Lease requisitions approved by the various agencies for delivery to the other American republics. It has not been possible to obtain accurate data from all agencies. This report is based largely on information provided by the War and Navy Departments, covering the major part of the program.

The Army and Navy report that as of January, 1945, they have approved requisitions for Lend-Lease to the other American republics totalling approximately \$270,278,000. An informal estimate by an officer of the Foreign Economic Administration indicates that approximately eight to ten million dollars worth of requisitions for Lend-Lease to the other American republics have been approved by that agency in addition to the foregoing, but confirmation of this estimate has not been possible.

The Foreign Economic Administration reports, however, that the actual value of all Lend-Lease shipments billed to the other American republics as of November 30, 1944, is \$224,808,571.02 for all agencies.

¹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 87 ff., and pp. 105 ff. For related documentation see the sections on military cooperation, lend-lease, defense measures, bases, etc. under the pertinent countries in this volume.

² For lend-lease agreements, see index entries under the country headings in *Foreign Relations*, 1941, vols. VI and VII; *ibid.*, 1942, vols. V and VI; *ibid.*, 1943, vols. V and VI.

Additional materials have been made available to the other American republics through the lease of ships by the Navy and procurement on a cash reimbursement basis. The Navy has leased to the other American republics ships valued at \$56,494,000, for the use of which only nominal payments are expected. Cash reimbursement requisitions approved by the Navy amount to \$5,545,710, of which materials amounting to \$2,244,895 have been invoiced. Neither the leased ships nor the materials purchased on a cash reimbursement basis involve charges of any consequence against the credit ceilings established in the individual country agreements.

Such figures as can now be obtained concerning Lend-Lease to the other American republics may therefore be summed up as follows:

Total authorized in Lend-Lease agreements	\$425,890,000	
Approved requisitions		
Army		\$213,990,354
Navy		56,288,201
		<hr/>
		\$270,278,555
Materials delivered and billed		
Nov. 30, 1944		224,808,571.02
Value of Navy Leased Ships	56,494,350	
Procurement under Cash Reimbursements (Navy only)	5,545,710	

Late in 1943 the greatly improved military situation led to a reconsideration by the Joint Chiefs of Staff of the Lend-Lease policy to the other American republics. The Joint Chiefs and the Department of State agreed upon the following statement of policy which should guide Lend-Lease to the other American republics from that time through the period ending June 30, 1945:

"In view of the necessity for concentrating all productive capabilities in backing up the United Nations' offensive, procurement under Lend-Lease credit shall in the future be approved in general only for the following purposes, and within the period ending June 30, 1945:

"a. The development and preparation of such ground, Naval and Air forces, with their supporting establishments and installations, as may be required for *Joint operations* with United Nations forces within this Hemisphere.

"b. The training and equipping of such American Republic forces as may be employed in conjunction with forces of the United Nations in offensive operations overseas.

"c. The repair and maintenance of existing equipment essential to the war effort where facilities do not exist for making repairs locally.

"d. The shipment of limited amounts of certain armaments and material deemed essential to the successful carrying on of the programs in which United States military and naval missions are engaged.

"e. The furnishing of munitions and equipment by type and in the quantities best designed to maintain internal security in those countries exporting vital strategic materials to the United Nations and whose governments continue to support the United States.

"Certain raw materials, semi-finished, and finished products, which are not procurable under the provisions set forth above may be furnished on a cash basis; provided that no material considered as arms, ammunition, and implements of war, as enumerated by Presidential Proclamation #2549, dated 9 April, 1942,³ shall, without previous approval of the State, War, and Navy Departments, be furnished (on a cash basis) to any American Republic except those mutually agreed upon by the three Departments."

Lend-Lease has therefore been considerably curtailed to the other American republics except for Brazil and Mexico. Armed forces of those countries are now either actively engaged in military operations overseas or are training for such service,⁴ and therefore constitute a special category in the Lend-Lease program. Information on the Lend-Lease transfers for the Brazilian Expeditionary Force are not available. Staff conversations now being initiated between military and naval representatives of the United States and other American republics, will provide information to serve as the basis of any further provision of arms and matériel to other American Republics outside of overseas operations.

The table (1) which is attached hereto⁵ shows the present status of Army and Navy Lend-Lease to the other American republics.

The following information is provided in reply to the specific points mentioned in the memorandum of January 19, 1945, from the State, War and Navy Coordinating Committee.⁶

(A) The Current Program of Lend-Lease Supplies for the American Republics

Lend-Lease shipments to the other American Republics are being considerably curtailed pending the outcome of Military and Naval Staff conversations. Material now in process of consideration or transfer consists largely of items other than arms, ammunition and implements of war.

Most of the Army's program for the other American republics, except for the Brazilian Expeditionary Force and the Mexican Fighter Squadron, has been completed. It is estimated (although official figures are not available) that approximately \$17,000,000 worth of materials are included in Army requisitions approved for shipment by

³ For text, see Department of State *Bulletin*, April 11, 1942, p. 323, or 56 Stat. (pt. 2) 1948.

⁴ For documentation concerning training and combat participation by Brazil and Mexico, see pp. 600 ff. and pp. 1109 ff., respectively.

⁵ Not printed.

⁶ The document referred to subsequently as SWNCC 4/1; not printed.

the Munitions Assignment Board but not yet invoiced. It is not possible without extended and costly research to determine what these materials consist of.

Requisitions for the other American republics from the Navy Department, approved by the Chief of Naval Operations but not yet invoiced, amount to \$32,080,070. Details on what is covered by these requisitions are not available but the Navy's program is concentrated on Brazil, Chile, and Peru, with which countries the Navy is engaged in joint operations.

Beyond these current programs both the Army and Navy have requests for Lend-Lease materials from the other American republics under consideration. The Army has now a request for maintenance equipment and tools for the Colombian Air Force. Brazilian requests under consideration by the Army include anti-aircraft finders and computators, communications equipment and barbette gun carriages. Other requests for the Army are of insignificant importance (again excepting the Brazilian Expeditionary Force and the Mexican Air Squadron) but additional requests may be expected in the future particularly following the completion of the staff conversations.

The Navy's forward program, consisting of requests under consideration but not yet in the requisition state, is concerned primarily with facilities for joint operations with the Naval forces of other American republics. Requests received from Brazil involve equipment for a gun factory, some navy blimps and the transfer to the Brazilian Navy of excess materials and equipment to be turned over by the Commander of the 4th United States Fleet when that unit is withdrawn from the South Atlantic. Brazil is also, at its own expense and for cash, developing a torpedo plant and undertaking a program involving the construction and arming of destroyers. Requests from Chile involve equipment for a naval base and some airplanes. Ecuador has requested some patrol planes. Peru wants some equipment for a naval base. Uruguay has asked for training and reconnaissance planes and other minor items. All other aspects of the Navy's forward program are unimportant in their effect on the Lend-Lease situation as a whole.

(B) The Interests of Each U.S. Government Agency Involved

The interests of the War and Navy Departments are expressed in the quotation from the Joint Chiefs of Staff document 629 [629/4] above. The interest of the State Department lies in facilitating the achievement of the purposes of that document, while at the same time helping to guide the Lend-Lease program in such a way as to avoid the stimulation of international rivalries or other political developments which would prejudice our good relations with the other American republics.

In a larger sense the interests of all three departments have been united in using Lend-Lease to achieve the fullest possible military, political and economic cooperation of the other American republics during the war. This cooperation has taken the form of making valuable operational facilities available to the United States armed forces, participation in the patrol of shipping lanes, suppression of subversive activities, declarations of war and rupture of diplomatic relations with the Axis, the extension of port and harbor facilities to United States naval vessels regardless of belligerency, and the expanded and uninterrupted flow of strategic materials to the United States and our allies. The Army and Navy concur in the statement that the value of the base at Natal, Brazil, to the war effort would alone be worth all the Lend-Lease material sent to the other American republics.

(C) Payments Made by the Latin American Countries and the Ability of the Countries to Repay on their Lend-Lease Agreements.

Lend-Lease Agreements with the other American Republics provide for repayments by each country of a certain portion of the value of materials and services extended to them. Because of the varying abilities of these countries to make such payments the agreements specify the percentage of the value of the total goods delivered to be repaid by each country. (Table 2 attached).⁷ Bills are rendered by the State Department in accordance with these calculations.

Payments received from the other American Republics to date are as follows:

Colombia	\$1, 922, 000
Dominican Republic	442, 000
El Salvador	120, 000
Haiti	30, 000
Honduras	30, 000
Uruguay	3, 900, 000
Venezuela	900, 000

The following countries have made no payments under their Lend-Lease agreements: Bolivia, Brazil, Chile, Costa Rica, Cuba, Ecuador, Mexico, Nicaragua, Paraguay, and Peru. Guatemala is credited with a repayment of \$3,000,000 which is the estimated value of certain facilities made available to the United States.

(D) Political Factors Disturbed by Munitions Supply

Delivery of arms and munitions under Lend-Lease has affected the political situation in the other American republics in two major aspects: internal and international.

⁷ Not printed.

One of the original purposes of Lend-Lease to the other American republics was to support the stability of governments, the overthrow of which, particularly if effected by groups with pro-Axis connections, would react adversely to the war position of the United States. As the military threat to the American continents decreased, normal political activity in many countries increased, looking toward the replacement of existing administrations by opposition parties. In countries governed by dictators, severe criticism of the United States has been expressed by liberals because Lend-Lease arms, supplied by this country were being used to support the dictators and suppress democratic opposition. There are some grounds for this charge, but it must be recognized that occasionally Lend-Lease arms have also been used to overthrow existing regimes.

Internationally, the distribution of arms and munitions under Lend-Lease in the other American republics has worked upon long-standing fears and jealousies existing among various republics. Among most of the countries of the West Coast of South America, for example, there is considerable fear of each other, based upon the smouldering jealousies and resentments that go far back into their history and early wars. Keenly aware of every improvement in the armed forces of their neighbors, these countries become greatly concerned over each delivery of Lend-Lease materials to adjoining republics, and appeal to the United States for additional arms with which to meet the threat of the real or imagined increase in their neighbor's fighting powers. Discrepancies in Lend-Lease deliveries to the various countries have generally not been as great as imagined or claimed, but even misinformation and misunderstandings have served to increase mutual suspicion among these countries. Similar sore spots exist in Central America, and between Haiti and the Dominican Republic, while Brazil's large increase in armed forces has, of course, challenged Argentina to step up her military production and training.

In view of the differences in strategic location in relation to hemisphere defense and other aspects of the war, it has of course been impossible to give each country exactly the same amount of armament under Lend-Lease or keep the armed forces of each country on a par. Yet strong efforts to avoid unnecessary differences have been made, and it has been this Government's policy to curtail deliveries of further arms and munitions, as reported above, partly because of the political consequences briefly mentioned herein.

(E) The Possibilities of Reverse Lend-Lease in Addition to Cash Repayments

It has consistently been the policy of the State Department that there be no reverse Lend-Lease with respect to the other American

republics primarily because of the specific arrangements for cash repayment written into each agreement.

(F) Potential Allocations of Shipping Space

Information obtained by the Navy from the War Shipping Administration, indicates that more than one hundred times as much tonnage of *strategic material* is shipped to the United States than Lend-Lease material is transported to the American Republics. Shipping space is therefore not a problem of consequence.

(G) The Amount of Munitions and Goods Heretofore Delivered, the Amount in Transit and on Hand

It is not possible under existing systems of records to provide information on the value of goods in transit and on hand. Table 3⁹ gives the total amounts shipped and billed to each country as of November 30, 1944, the grand total of which is \$224,808,571.02. Itemized information on the amounts of munitions and goods approved for each country by the Army and Navy are available in the large report prepared by the War and Navy Departments.

(H) Allocation Obligations and Expenditures Established for Such Shipments as of December 31, 1944

Table 1⁹ gives this information.

There is attached for the study of the Committee a full and detailed report from the Army and Navy⁹ on all aspects of their Lend-Lease program in the other American republics. Of particular interest are the country programs which include information on the nature and amount of goods made available, as well as certain summaries of special categories, such as aircraft and naval vessels. The factual data contained in this report has been coordinated within the War and Navy Departments.

810.24/3-845

Memorandum by the Assistant Chief of the Division of Financial and Monetary Affairs (Barber) to the Acting Chief of the Division (Collado)

[WASHINGTON,] March 8, 1945.

I believe that it would be proper, as I transfer from FMA to CCA¹⁰ to record the action that has been taken and progress made regarding lend-lease reimbursements from the Latin American countries during the year's time that I was an officer of FMA. After considerable cor-

⁹ Not printed.

¹⁰ Willard F. Barber was scheduled to assume in April the position of Acting Assistant Chief of the Division of Caribbean and Central American Affairs.

respondence with FEA ¹¹ the first statement was received on April 11, 1944 covering lend-lease shipments to Haiti. This first statement showed that shipments in excess of the agreed ceiling had already been made to that country. A start having been made, reports for Brazil and the Dominican Republic were received on May 13 and 26, 1944. During June 1944 reports were received for all of the other countries with which Agreements were in effect.

A second series of statements was received from the FEA during the months of August, September and October 1944. A third set of reports for each country was received during January and February 1945. The FEA is now preparing to handle these matters on a regular quarterly basis.

Reimbursement payments have now been received from Colombia (two payments), El Salvador, Haiti (two payments), Honduras, Dom. Republic, Uruguay and Venezuela. Venezuela and El Salvador have promised to make additional payments. The Brazilian Foreign Minister ¹² has ordered the payment of the amount requested in the third billing of that country, and the payment is expected by the Department at any day. The Uruguayan payments were made without having been billed. The countries which are now current are Brazil, Haiti, Uruguay and Colombia. Countries whose accounts the Department has asked FEA to reexamine for accuracies are Haiti and the Dominican Republic. The FEA has not yet answered the Department's requests for reexamination of these two disputed accounts.

The total amount received, counting the Uruguayan and Brazilian payments mentioned above, is \$42,344,000. At present the largest delinquencies are for Chile, Peru, Mexico and Cuba.

Up to the present the Department has eschewed any publicity regarding these payments so as to avoid invidious comparisons amongst the Latin American countries and with respect to the non-cash reimbursement lend-lease countries. To my knowledge and in my judgment no lend-lease payments to date have had an injurious effect upon our friendly diplomatic relations, nor upon the financial situation of the paying country. It is my opinion that with careful handling the collections can be continued to be made from all of the other American republics without injury to friendly relations or to their economies, and to the considerable benefit of the United States Treasury.

WILLARD F. BARBER

¹¹ Foreign Economic Administration.

¹² Pedro Leão Velloso, Acting Minister for Foreign Affairs.

810.24/3-945

*Memorandum of Conversation, by Mr. Phil R. Atterberry of the
Division of Financial and Monetary Affairs*

[WASHINGTON,] March 9, 1945.

Participants: Messrs. McGurk, Cochran, Wright, Carrigan, Chalmers, Butler, Dreier, and Wendelin (ARA).

Messrs. Hayes, Barber, Atterberry, and Maxwell (FMA).

The meeting had been called in Mr. McGurk's office at 2:30 p. m. on February 27, 1945 at the request of Mr. Dreier.

The lengthy discussion treated primarily with the procedure and timing of requests for Latin American Lend-Lease reimbursement payments and the status of the Latin American Lend-Lease Agreements vis-à-vis the regular master type Agreement of Lend-Lease which the United States has with Great Britain and other combatant United Nations.

SUMMARY

1. *Lend-Lease Accounts.*

Statement LL-3 and supporting schedules are to be sent to no additional Latin American countries until after the adjournment of the Mexico City Conference.¹³

It was decided that this Government should press each country for collection, but that such action should be handled exclusively in Washington. Henceforth, (a) procedure and negotiations for collection will be handled exclusively in Washington between officers of the Department and Latin-American Ambassadors. It might even be possible to have Assistant Secretary of State Rockefeller call in each Ambassador one at a time to make the request for payment; (b) U.S. Missions in Latin America will be kept informed but will not be requested to approach the local governments for payments.

2. *Policy on Reimbursement Payments.*

Unanimous approval was given a paragraph along the following lines concerning policy on reimbursement payments to be used for the information of our Missions in the other American republics:

"For your confidential information only and for use in your discretion should the occasion arise, several of the other American republics with which this Government has Lend-Lease Agreements have already made payments on their respective accounts, of which some are current. Moreover, the respective governments of those American republics from which reimbursement payments are either due or are

¹³ Inter-American Conference on Problems of War and Peace, February March, 1945; for documentation, see pp. 1 ff.

in arrears are being informed through their Missions in Washington that the Government of the United States will continue to maintain the policy of requiring reimbursement payments for matériel transferred in accordance with the terms of the respective Lend-Lease Agreements which have been signed with various other American republics."

FMA was authorized to proceed on this basis immediately upon the adjournment of the Mexico City Conference.

810.24/4-2045

The Assistant Secretary of State (Clayton) to the Deputy Foreign Economic Administrator (Cox)

WASHINGTON, May 8, 1945.

DEAR OSCAR: I have your letter of April 20, 1945 ¹⁴ in which you raise again a question of the amounts due by the other American republics for transfers made to them under the Lend-Lease Agreements.

The Department has, I believe, made some progress in collections since we wrote you on November 21 [25?], 1944 ¹⁴ on the same subject. Total payments as of April 4, 1945 amounted to \$44,996,000.00 as the following table shows:

<i>Country</i>	<i>Total Payments as of 4-1-45</i>
Bolivia	-0-
Brazil	\$35,000,000.00
Chile	2,500,000.00
Colombia	1,922,000.00
Costa Rica	-0-
Cuba	-0-
Dominican Republic	442,000.00
Ecuador	-0-
El Salvador	120,000.00
Guatemala	-0-
Haiti	30,000.00
Honduras	30,000.00
Mexico	-0-
Nicaragua	-0-
Paraguay	-0-
Peru	-0-
Uruguay	3,900,000.00
Venezuela	1,052,000.00
	<hr/> \$44,996,000.00

Moreover, another payment of \$2,500,000.00 from Chile has been promised for April. President Grau of Cuba has indicated that action will be taken by his Cabinet after adjournment of Congress on May 20, 1945,

¹⁴ Not printed.

and Peru reports that 26,000,000 soles (United States \$4,000,000.00) is on deposit in the Central Reserve Bank of Lima awaiting acquisition of sufficient dollar exchange. LL-3 statements and supporting schedules were sent out to the other American republics in March and April, together with a note from the Secretary of State to the respective Embassies in Washington. Each note, when addressed to any country in arrears, stated that "the Government of the United States will continue to maintain the policy of requiring reimbursements in payment for matériel transferred under the respective Lend-Lease Agreements which it has signed with the various other American republics".¹⁵ In the near future, LL-4 statements and supporting schedules will be sent out and the Department will again bring the matter of arrears to the attention of the appropriate Embassies in Washington.

I hope that these developments will indicate that the State Department is active in requesting payment from the other American republics which are in arrears in their payments on account of lend-lease transfers.

Sincerely yours,

WM. L. CLAYTON

810.24/5-1645

Memorandum by the Secretary of War (Stimson) to the Director of the Office of American Republic Affairs (Warren)

WASHINGTON, May 16, 1945.

1. As the Department of State is aware, bilateral military staff conversations are being conducted with the other American Republics.¹⁶ Thus far conversations have been concluded with Chile, Brazil, Mexico, Ecuador, Peru, Bolivia and Venezuela. These reports are presently undergoing careful study by the War and Navy Department members of the Joint Advisory Board on American Republics.

2. It would appear that, in order to retain the confidence of the other American Republics and indicate the sincerity of purpose of the United States, it is most desirable that some interim allocation of equipment be undertaken pending final study and approval of the recommendations submitted incident to the staff conversations recently concluded. It would further appear that allocation of certain types of aircraft represents the most practicable and feasible solution to accomplish the purpose of an interim program.

3. In order for the subordinate agencies of the War Department to appropriately make plans for the interim allocation of aircraft to

¹⁵ For recommendations of a different policy, voiced by the Ambassador in Mexico, Messersmith, see pp. 1116-1118 and 1119-1125.

¹⁶ See index entries under each country.

the other American Republics, an agreement should exist between the War and State Departments in regard to a general program with respect to such allocations.

4. This matter has been discussed with the Chairman of the Joint Army and Navy Advisory Board on American Republics¹⁷ who concurs in the action outlined herein.

5. It is requested the Department of State notify the representatives of the foreign governments listed in paragraph 1 above that the War Department will favorably consider the allocation of aircraft listed in the attached chart¹⁸ to their respective governments during the remainder of 1945 based on recommendations of the bilateral staff conversations. The War Department will recommend to the Munitions Assignment Board allocations by increments consistent with the ability of the various countries to receive and maintain the aircraft. It is requested the War Department be advised of the action taken at the earliest possible date.

6. Upon receipt of reports and recommendations of the bilateral staff conversations with the other American Republics not listed in paragraph 1 above, the War Department will make further recommended allocations consistent with the intent and purpose of this interim program.

For the Secretary of War :

D. DIVINE II

Colonel, GSC

Chief, Liaison Section, OPD, WDGS^{18a}

810.24/6-1645

The Director of the Office of Transport and Communications Policy (Taft) to Brigadier General G. C. Jamison, Munitions Assignments Committee (Air)

WASHINGTON, June 16, 1945.

MY DEAR GENERAL JAMISON : This Department¹⁹ is considering the question of whether Lend-Lease transfers of aircraft and other equipment to the other American Republics should be continued on the present basis and also whether further transfers will contribute to the defense of the United States within the meaning of the Lend-Lease Act.²⁰

The Department therefore requests that no further assignments, under Lend-Lease, of aircraft be made to the other American Republics,

¹⁷ Rear Adm. William O. Spears.

¹⁸ Not printed.

^{18a} Operations Division, War Department General Staff.

¹⁹ Department of State.

²⁰ "Act to Promote the Defense of the United States" approved March 11, 1941 ; 55 Stat. 31.

with the exception of Brazil and Mexico, until a definitive decision as to Lend-Lease policy with regard to those Republics has been made.

Sincerely yours,

CHARLES P. TAFT

810.24/7-245

The Joint Chiefs of Staff to President Truman ²¹

[WASHINGTON,] June 29, 1945.

"The Joint Chiefs of Staff recommend as a temporary measure pending decision on a long range policy now under consideration, that you approve the extension for a period of one month of the current policy governing military Lend-Lease to other American nations which was approved by the Joint Chiefs of Staff in December 1943 and which expires on 30 June 1945. It is the opinion of the Joint Chiefs of Staff that this action is in the interests of the defense of the United States. This recommendation is approved by the Department of State." ²²

810.24/7-1645 : Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics ²³

WASHINGTON, July 16, 1945—9 a. m.

Restricted telegram, Circular July 15 [16], 8 a. m.²⁴ quotes text of a recent Presidential directive ²⁵ regarding future uses of Lend-Lease, issued through Joint Chiefs of Staff to War and Navy Departments. War Department has informed its missions in other American republics of directive.

Dept is now seeking clarification of effect of this directive on Lend-Lease to other American republics. Pending such clarification, Dept is not in a position to interpret precisely directive, particularly in its effect on continuing projects of Lend-Lease assistance to which this Government is committed. However, it is clear that restriction of Lend-Lease to that actually used against Japan will reduce transfers to a very small amount.

²¹ Copy transmitted to Department on July 2, 1945, in memorandum by Mr. McCarthy, Secretary of the State-War-Navy Coordinating Committee.

²² Approved by President Harry S. Truman June 30, 1945 (810.24/7-245).

²³ Sent to the diplomatic representatives in Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela. Sent on July 17, 9:30 a. m., to the remaining American Republics except Argentina and Panama.

²⁴ Not printed.

²⁵ Directive dated July 5, 1945, limiting the issue of lend-lease munitions of war and military and naval equipment to that which would be used in the war against Japan. For text, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference). 1945, vol. I, p. 818.

Since entering into force on July 1, 1944, of Lend-Lease policy transmitted in the Dept's confidential circular instruction of June 24, 1944,²⁶ Lend-Lease transfers to other American republics have been continuously curtailed.

Dept believes that Lend-Lease should be eliminated as rapidly as possible and that in the carrying out of future military cooperation with other American republics provisions of Surplus War Property Act ²⁷ should be used, pending passage by Congress of specific legislation for this purpose.

The Presidential directive cannot at this time be communicated to Govts of other American republics. As soon as clarification of effect of directive has been obtained, further information will be sent to you. Until such time, however, Dept will attempt to discourage requests for Lend-Lease assistance and asks that you do likewise should need arise.

GREW

810.24/7-1745

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina

WASHINGTON, July 17, 1945.

SIRS: Many of the American republics are in arrears in the payments they obligated themselves to make to this Government, under the terms of bilateral Lend-Lease agreements, for Lend-Lease materials received. The Department has decided that the time is opportune for this Government to press the governments that are in arrears to make the payments so far in default, and to do so in substantially the same terms with respect to all the governments concerned. In carrying out this decision, the Department will deal directly with the embassies in Washington of the governments concerned, and the American embassies in other American capitals will not, consequently, be called on to make representations.

An element in the background of this decision is this Government's policy to promote the standardization of arms and munitions of war among the American republics on United States standards, and therefore to discourage other American republics from equipping their armed forces by procurement outside the Hemisphere. Should any American government in arrears on its Lend-Lease payments undertake to make cash purchases of arms or munitions of war from non-American sources, this Government might wish to take the position that the Lend-Lease materials should be paid for first. With this in

²⁶ Not printed.

²⁷ Act approved October 3, 1944; Public Law 457, 58 Stat. 765.

mind, the embassies accredited to the governments that are in arrears should be especially alert for any indications that such purchases outside the Hemisphere are being contemplated, and should keep the Department informed accordingly.

El Salvador and Honduras are slightly behind in their payments while the following countries have paid nothing on their Lend-Lease account: Bolivia, Costa Rica, Cuba, Ecuador, Mexico, Nicaragua, Paraguay and Perú.

Very truly yours,

JOSEPH C. GREW

800.24/7-1845 : Telegram

*The Acting Secretary of State to the Secretary of State*²⁸

WASHINGTON, July 18, 1945.

49. On July 5 the President signed a directive stating that henceforth approval for issue of munitions and military and naval equipment would be given only for that which is to be used in war against Japan. In opinion War and Navy Departments this stops immediately all Lend-Lease approvals for other American republics (excepting small amounts for token forces participating in Japanese war) regardless of commitments already made by this Government.

Among these commitments are: transportation back to Brazil of Brazilian Expeditionary Force from Italy; completion of small artillery ammunition plant now about three-fourths completed in Mexico; completion of airplane engine factory now more than half completed in Brazil; transportation home of military personnel from other American republics now receiving training in this country; and other smaller items. Navy programs affected by this directive involve equipment of South American naval forces which will take over patrol work in Pacific and air-sea rescue work in South Atlantic, thereby releasing American forces for Japanese war. Other American republics are paying an agreed percentage of cost of all these and other Lend-Lease transfers.

Department had previously just approved policy calling for rapid termination of Lend-Lease to other American republics but allowing for present commitments. Failure by this Government to honor these commitments would of course cause highly unfavorable political reaction in other countries.

Consider it highly important you discuss matter with Clayton,²⁹ who has been informed of problem, and obtain interpretation from

²⁸ Addressed to Secretary Byrnes at Babelsberg, Germany, headquarters (July 15-August 2) of the American delegation at the Conference of Berlin.

²⁹ William L. Clayton, Assistant Secretary of State for Economic Affairs, attending the Conference of Berlin.

President preferably that directive July 5 should not prevent this Government from making good on its commitments assumed before that date. Moreover, directive came to Department through War and Navy Departments marked restricted classification. In view of inquiries being received from governments of other American republics request authority to inform them of President's policy subject to interpretation requested herein.

GREW

800.24/7-2145: Telegram

The Secretary of State to the Acting Secretary of State

BABELSBURG, July 21, 1945.

[Received 7 a. m.]

Victory ³⁰-150. Filed 210711Z. For Rockefeller and Fetter ³¹ from Clayton and Collado.³² We have considered ARA memo of July 10 ³³ and Dept's tel No. 49 regarding the effect on Latin American programs of the President's Lend-Lease directive of July 5. It is our view that the directive is entirely consistent with the policy statement recently approved by the staff committee that Lend-Lease shall be used only with a military certification of its essentiality in the prosecution of the war against Japan.

With respect to the specific cases raised there is of course no question regarding the eligibility of items necessary to equip such Mexican and Brazilian forces as participate directly in the Pacific Theater. Moreover, Lend-Lease may properly [be] used as a means of returning home the Brazilian Expeditionary Force from Italy as well as other military personnel in training in the U.S.

We had already agreed with FEA that the present addition to the original airplane engine factory should be paid for in cash by Brazil. If any small finishing touches are needed to complete the original project, they may properly go forward under the Lend-Lease agreement, as may also the completion of the ammunition plant in Mexico. We understand that there are virtually no other items pending under the old FEA program and the Department some time ago instructed FEA not to undertake new Lend-Lease programs nor to request a 1946 budgetary appropriation for Latin America.

These are our personal views. It will not be possible to take these matters up with the President during this conference. We have not

³⁰ Communications indicator used on outgoing messages from the American delegation at the Berlin Conference.

³¹ Frank W. Fetter, Acting Chief, Division of Lend-Lease and Surplus War Property Affairs.

³² Emilio G. Collado, Director, Office of Financial and Development Policy.

³³ Not printed.

discussed these particular points with the Secretary, but we believe they are in general agreement with his understanding of the July 5 directive. [Clayton and Collado.]

BYRNES

800.24/7-2145 : Telegram

The Acting Secretary of State to the Secretary of State

WASHINGTON, July 21, 1945.

96. Ref. your Victory 150. Abrupt and unannounced cessation of shipments of Lend Lease equipment despite specific commitments within framework of general agreements is creating very serious situation in the other American republics. Dept. cannot recommend too strongly that procedure outlined in my 49³⁴ be followed, namely, that you obtain from President interpretation of his directive of July 5 which will permit completion of these few outstanding commitments to other American republics. This does not involve, nor would it permit, any new arrangements to be made for additional equipment under Lend Lease and we will have to proceed in a manner consistent with policy statement recently approved by Staff Committee to obtain legislation for implementation of staff talks.

Aside from major projects mentioned in my 49 numerous small deliveries of maintenance equipment and spare parts to several countries have been held up. Their importance is largely measured by the protests which have come as a result of the stoppage of deliveries and the resulting doubt being cast on good faith of this Government at very moment we are trying to work out satisfactory long-term arrangements for military and naval cooperation based upon standardization of matériel. A report of serious effect of present situation on views of high Brazilian military personnel was received by War Dept. from Gen. Wooten³⁵ and understand this has been forwarded to Generals Marshall and Arnold.³⁶ Ambassador Berle³⁷ has expressed his serious concern as have ambassadors of other countries.

At present Dept. unable provide clarification or assurance we can fulfill existing commitments. This situation will exist until War Dept. receives either from President, Joint Chiefs or Secretary Stimson authority to interpret directive in such a way as to permit fulfillment of commitments already made.

GREW

³⁴ Dated July 18, p. 245.

³⁵ Gen. Ralph H. Wooten, Commanding General of United States Army Forces in South America.

³⁶ General of the Army George C. Marshall, Chief of Staff, United States Army, and General of the Army Henry H. Arnold, Commanding General, Army Air Forces, members of the Joint Chiefs of Staff and the Combined Chiefs of Staff, United States and Great Britain.

³⁷ Ambassador to Brazil, Adolf A. Berle, Jr.

800.24/8-1145: Circular telegram

*The Secretary of State to the Diplomatic Representatives in the
American Republics Except Argentina and Panama*

WASHINGTON, August 11, 1945—4 p. m.

For the information of the Ambassador. Paraphrase of Presidential Directive of July 29 to the Joint Chiefs of Staff:

"My memorandum of July 5, 1945,³⁸ reading: 'Any approval of the issue to Allied Governments of Lend-Lease munitions of war and military and naval equipment will be limited to that which is to be used in the war against Japan only, and approval will not be given for any other purposes' may be interpreted as follows with respect to the other American Republics:

1. When Joint Chiefs of Staff are of the opinion that Lend-Lease munitions of war and military and naval equipment are to be utilized in direct support of redeployment of American troops, or troops of Allies in connection with their redeployment in the support of the war against Japan, the issuance of this equipment to all Allied Governments is authorized.

- (A) Articles necessary to equip forces such as take part directly in the Pacific Theater of war.
- (B) Articles for the direct support of redeployment such as Weather Stations, maintenance of ATC³⁹ installations, and Air Sea Rescue.
- (C) Articles for approved patrols, both naval and air.
- (D) Return of Brazilian Expeditionary Force to Brazil, the hospitalization of the wounded, and return of military personnel of all Latin American countries now in the U.S. for training.

2. Handling of Lend-Lease, and general military policy relating to Latin America shall be in accordance with the memorandum prepared by the State Department and accepted early in July by Joint Chiefs of Staff."⁴⁰

Another interpretative directive was issued for countries outside the Western Hemisphere.⁴¹ Item 6 of that directive, which may be applicable to your area, is as follows:

"There may be issued, against payment, under such terms and conditions as may be determined by the State Department and Foreign Economic Administration in accordance with established procedure, (for purposes other than those specifically approved in this memorandum), a supply of maintenance items for U.S. equipment now in the possession of Allied armies."

³⁸ Presidential directive of July 5; see footnote 25, p. 243.

³⁹ Air Transport Command.

⁴⁰ For text, see p. 251.

⁴¹ Presidential directive of July 29, 1945, *Conference of Berlin (Potsdam)*, vol. II, p. 1184.

You are authorized in your discretion to communicate pertinent parts of this directive to Govt to which you are accredited.⁴²

BYRNES

810.24/9-445

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, September 4, 1945.

DEAR MR. SECRETARY: In conformity with the general military policy relating to Latin America embodied in State-War-Navy Coordinating Committee paper 4/10⁴³ and approved by the President, the War Department submits herewith a plan for interim allocation of token amounts of equipment to the other American Republics with which Staff Conversations have been completed, pending the preparation of final plans. The results of the Staff Conversations have not yet been submitted to or approved by the Joint Chiefs of Staff. However, the proposed allocations (inclosures #2 and #3⁴⁴) are well within the amounts of equipment required for peacetime armies of the size recommended by the conferees as indicated in column two (2) of inclosure #1.⁴⁵

Since, under the Presidential directives of 6 [5?] and 29 July 1945, lend-lease is no longer available for this purpose, I intend to utilize the Surplus War Property Act where applicable, and other appropriate existing legislation. The equipment listed in the inclosures can be used immediately for the purpose of initiating the supply of the token shipments recommended herein.

Upon your determination that this plan is not in conflict with the Government's foreign policy, I shall proceed with its implementation.

Sincerely yours,

HENRY L. STIMSON

800.24/9-1145

The Secretary of State to the Diplomatic Representative in the American Republics Except Argentina and Panama

WASHINGTON, September 11, 1945.

FUTURE MILITARY COOPERATION WITH THE OTHER AMERICAN
REPUBLICS

SIRS: Reference is made to Department telegrams of August 11, 4 p. m. and August 22, 3 p. m.⁴⁶ concerning a document on future military

⁴² The Secretary of State, in a circular telegram of August 14, 1945, 8 a. m., requested the representatives to await further instructions before informing the governments to which they were accredited of the contents of this August 11 instruction (800.24/8-1445).

⁴³ *Post*, p. 251.

⁴⁴ Neither printed.

⁴⁵ Not printed.

⁴⁶ Circular telegram of August 22, not printed.

cooperation with the other American republics drafted by the State, War, and Navy Departments and accepted by the President in July. A copy of this document is enclosed.

It will be noted that the document sets forth general principles to guide the State, War, and Navy Departments in their policy of providing indoctrination, training, and equipment for the armed forces of the other American republics. The document thus is the next logical step after the agreement by the three Departments to hold staff conversations, in that it provides the manner in which the conversations are to be implemented and the responsibilities of the three Departments in their implementation. On the Department rests the responsibility of passing on basic plans and projects for carrying out these plans submitted by the War and Navy Departments. It is the Department's further responsibility to request such adjustments in approved projects as may be necessitated by unforeseen political developments. The Chiefs of Diplomatic Missions are charged with the responsibility of guiding the senior representatives of the War and Navy Departments in the various American republics on all matters the Chiefs of Diplomatic Missions may deem to be of a political nature or such as may affect our foreign relations.

The War and Navy Departments will shortly submit for the approval of the Department an interim project ⁴⁷ for the implementation of those staff conversations whose results have so far been studied. In making its decision the Department considers it important to ascertain the probable effect upon the financial structure and political conditions of the other American republics of carrying out the recommendations of the staff conversations. In the absence of final proposals by the War and Navy Departments, it is requested that the Embassy base its opinions upon the recommendations resulting from the staff conversations. The Embassy is accordingly requested, if it has not already done so, to study this question and report its conclusions to the Department.

As is mentioned in the enclosed document, it is the intention of the three Departments to seek new legislation to carry out the policy and program of military cooperation with the other American republics. Until such legislation can be enacted the provisions of the Surplus Property Act and of other applicable laws will be used for this purpose.

Very truly yours,

For the Secretary of State:
A. M. WARREN

⁴⁷ Presumably the interim plan referred to by the Secretary of War, *supra*.

[Enclosure]

PROPOSED JOINT STATEMENT BY STATE, WAR AND THE NAVY
DEPARTMENTS TO BE APPROVED BY THE PRESIDENT ⁴⁸

This document embodies a statement of policy governing the provision by the United States of indoctrination, training and equipment for the armed forces of the other American republics.

When, at the outset of the present World War, the United States confronted the necessity of encompassing the defense of the Western Hemisphere against the aggression of the Axis nations, an important factor prejudicial to the cooperation of the American republics in that defense was that their military forces, in most cases, had received their training from the armed forces of Germany or Italy or other non-American nations according to the standards and procedures of those non-American nations, and had been equipped by those same non-American nations in accordance with their own equipment standards. Not only would the coordination of the respective armed forces of the American republics for the defense of the Hemisphere have been made difficult by the diversity of standards, procedures, and equipment thereby established; but, what was far worse, important elements in the armed forces of the American republics had been indoctrinated in the alien ideals espoused by aggressor nations, and had been imbued with an admiration for the war-making methods of these nations. An important and time-consuming element in making possible inter-American military collaboration for the prosecution of the war was the necessity of eliminating this Axis influence on the armed forces of the American republics.

With the prospective conclusions of the present war, it has been established as a matter of inter-American policy in the Act of Chapultepec ⁴⁹ that the American republics will hereafter engage in close military collaboration for the military defense of the Hemisphere against any threat that may arise in the future. It is clear that, on the basis of this policy now established, the United States must take measures to prevent such a situation as confronted it at the outset of

⁴⁸ This statement, drafted by the State-War-Navy Subcommittee on Latin America, was approved by President Truman by memorandum from Potsdam, dated July 29, 1945 (SWNCC 4/12). It is generally referred to as SWNCC 4/10, July 7, 1945, "Statement of Policy Governing the Provision by the United States of Indoctrination, Training and Equipment for the Armed Forces of the Other American Republics."

⁴⁹ Agreement Between the United States of America and Other American Republics contained in the Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City, March 8, 1945, effective the same date; for text, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1543, or 60 Stat. (pt. 2) 1831; for documentation on the Conference see *ante*, pp. 1 ff.

this war from again arising to hamper and jeopardize the common defense.

In so far as possible, the military establishments of the American republics should be organized in accordance with common tables of organization; they should be equipped with types of equipment based on common tables of equipment; their training should be based on common military doctrine, and their governing military methods and practices should follow common lines of procedure. Since the United States has recognized military leadership in the Hemisphere and is the only considerable producer of military equipment among the American republics, the United States should act forthwith to obtain the agreement of the other American republics to the adoption by them of United States military doctrine, United States military methods and procedures, and United States standards of military equipment. Such agreement would envisage the dispatch by the United States of military missions to the other American republics to indoctrinate and train their armed forces; the provision of facilities in the United States for the indoctrination and training of representatives of the armed forces of the other American republics; the making of appropriate joint plans among the American republics for the defense of the hemisphere; and the provision to the armed forces of the other American republics by the United States of arms, ammunition and implements of war conforming to the types used by the armed forces of the United States.

The United States has conducted and is conducting a series of exploratory conversations with the military staffs of the other American republics looking toward the realization of the policy and of the measures outlined above. The United States is therefore confronted with the imminent necessity of carrying out that policy and putting those measures into effect.

It is recognized that in carrying out such a program of military collaboration, involving the equipping and training of the armed forces of the other American republics, there are considerations of a political and economic nature affecting the broad foreign policy of the United States in the field of its inter-American relations that must be recognized.

With this in view, the Departments of State, War and the Navy will be guided in all matters of military cooperation and execution of the policy and measures enunciated above by the following general principles:

- (1) The cooperation of the United States will not be extended to any other American republic so as to provide it with a military establishment that is beyond its economic means to support.

- (2) Training and equipment shall not be made available by the United States to the armed forces of any other American republics

where there is good reason to believe that they may be used for aggression or in order to threaten aggression, against one of its neighboring American republics, thus prejudicing the primary objective of inter-American unity.

(3) In accordance with the democratic principles that the United States represents and upholds throughout the world, and on which its moral credit is largely based, every effort shall be made to insure that the training and equipment afforded by the United States to the armed forces of the other American republics shall not be used in order to deprive the peoples of the other American republics of their democratic rights and liberties.

It is clear that the program of collaboration envisaged above is a program for the military defense of the Hemisphere and, consequently, falls within the field of responsibilities of the War and the Navy Departments. It is equally clear that measures taken in accordance with the program envisaged above will bear importantly on the foreign relations of the United States, with American and non-American nations alike. Consequently, the Department of State, being responsible for the conduct of the foreign relations of the United States, has a concurrent and coordinate responsibility with the War and the Navy Departments in the carrying out of the program envisaged above. So that the State, War, and Navy Departments may be in a position to meet their respective responsibilities as indicated above, all plans shall be made and all measures in the carrying out of this program shall be taken with the approval of the War and Navy Departments in respect to defense policy, and with the approval of the Department of State in respect to foreign policy.

In order to realize this division and coordination of responsibility among the three departments, it has been agreed that:

(1) The War and Navy Departments shall assume the initiative (based on bilateral and subsequent military staff conversations) in preparing the basic plans for indoctrinating, training, and equipping the armed forces of each of the other American republics in accordance with the policy set forth above. These plans, set forth in such detail as is practicable, shall be submitted to the Department of State and no action shall be taken to put them into effect until this department has indicated that they are not in conflict with this government's foreign policy.

(2) For the carrying out of basic plans so approved or so agreed upon, the War and Navy Departments will prepare and submit in writing at three-month intervals (or at such other intervals as may be mutually agreed upon) projects for implementation. Pending the completion and approval of the final plans the War and Navy Departments may from time to time present for approval interim projects. When the Department of State shall have indicated that these projects for implementation are not in conflict with this Government's foreign policy, the War and Navy Departments shall be free to proceed under them until their completion, except that if unforeseen political developments arise which call for adjustments or modifications, the De-

partment of State may call these developments to the attention of the War and Navy Departments and request that the appropriate modifications or adjustments be made.

American Ambassadors or Chiefs of Diplomatic Missions in the other American republics shall be charged with rendering all possible assistance in carrying out the policy and program envisaged above, and all senior representatives of the War and Navy Departments dispatched to any of these republics pursuant to this program shall be guided by the Ambassador or Chief of Diplomatic Mission with respect to any matters he may deem to be of a political nature or such as may affect our foreign relations.

The State, War, and Navy Departments recognize that it will be desirable to obtain, at the earliest possible date, Congressional authorization and legislation for the provision by the armed forces of arms, ammunition, and implements of war to the other American republics in accordance with the policy herein set forth. They agree that they will seek such authorization and such legislation forthwith. However, they recognize the desirability of proceeding with the program herein set forth with the least possible delay for the following reasons:

(1) Unless the opportunities outlined above are made available to the other American republics shortly, they may be expected to accept similar offers from and make commitments to representatives from non-American countries, thus creating obstacles to the realization of the defense program envisaged by the United States.

(2) In the exploratory conversations already held or being held between the military representatives of the United States and representatives of the armed forces of the other American republics, the United States has indicated its willingness to cooperate in the indoctrination, in the training, and in the equipment of the armed forces of those republics. So that its good faith may not be questioned, it must not now hesitate to proceed with concrete proposals and measures for the indoctrination, training, and equipment of the armed forces of the other American republics.

It is agreed that the State, War, and Navy Departments will avail themselves so far as possible of the provisions of the Surplus War Property Act and other applicable laws in carrying out the policy and program herein outlined, pending the provision of specific legislation for that purpose. It is further agreed that the provisions of the Lend-Lease Act will be utilized only on certification of the War or Navy Department, as the case may be, that the transfer or other action proposed to be taken is for the defense of the United States, in accordance with the provisions of the Lend-Lease Act as amended and in accordance with applicable presidential directives. The State, War, and Navy Departments agree that this paragraph shall supplant the statement of Lend-Lease policy contained in Joint Chiefs of Staff document JCS 629/4.⁵⁰

⁵⁰ Not printed.

810.20 Missions/9-1945

*Memorandum by the Director of the Office of American Republic Affairs (Warren) to Colonel A. D. Reid, Chief of the Liaison Section, Theater Group, OPD, WDGS*⁵¹

[WASHINGTON,] October 1, 1945.

Reference is made to your memorandum OPD 452.1 Latin America of September 19, 1945,⁵² in which it is stated that the War Department contemplates furnishing one P-47 aircraft with necessary maintenance personnel to each of the United States aviation missions in Latin America. One B-25 would also be furnished to missions in the appropriate countries. The comment of the State Department is requested.

I understand that there are United States aviation missions at present in Argentina, Bolivia, Chile, Ecuador, Guatemala, Paraguay and Venezuela, that there are Mixed Commissions in Brazil, Cuba and Mexico and that Honduras and Cuba have requested military aviation missions. It is our view that there would be no objection to making one P-47 or a B-25 available to the missions in Brazil, Chile, Cuba, Ecuador, Mexico and Venezuela—countries where it may be expected that planes of this character will at some time be made available to the air forces. The Department has strong reservations on political grounds, however, about providing airplanes of this character to Argentina, Bolivia, Guatemala, Honduras and Paraguay.

In general it would be inappropriate in our opinion to send to our aviation missions in the other American republics types of planes which may not be made available to the air forces of those countries. The Department would therefore like to suggest that the War Department's program referred to in your memorandum be coordinated with the general program of providing tactical aircraft to the other American republics under SWNCC 4/10,⁵³ and that our military aviation missions be provided only with those types of tactical aircraft which the State, War and Navy Departments agree will be made available to the air forces of the respective host governments.

A. M. WARREN

⁵¹ Operations Division, War Department General Staff.

⁵² Not printed.

⁵³ Policy statement of July 7, *supra*.

800.24/10-645: Circular telegram

*The Secretary of State to the Diplomatic Representatives in the
American Republics Except Argentina and Panama*

WASHINGTON, October 6, 1945—8 a. m.

Dept's. Restricted CirTel, Sept. 12, 3 p. m.⁵⁴ The following note concerning the end of Lend-Lease has been sent to the Embassies in Washington of the other American republics except Argentina and Panama:

"I have the honor to inform Your Excellency that the successful conclusion of the war against Germany and Japan has made it necessary for my Government to re-examine its policy concerning Lend-Lease. Your Excellency will recall that the Lend-Lease Act was passed "to promote the defense of the United States", and a Lend-Lease Agreement with Your Excellency's Government was negotiated in order to frustrate the threatened Axis aggression against the Western Hemisphere. In accordance with the terms of this Lend-Lease Agreement military material was transferred by the United States at such time and in such quantities as was deemed necessary to protect the Hemisphere against external aggression.

With the end of the war the purposes envisaged by the Lend-Lease Act have been fulfilled. Therefore the United States Government has decided that, under the terms of the Lend-Lease Act and of the Lend-Lease Agreement, in the future the transfer of material will be limited to that which is to be utilized for assistance to Allied forces engaged against Japanese forces which have not surrendered. However, requests for material other than arms and ammunition may be approved in certain unavoidable cases where abrupt cessation of aid will cause undue hardship. Finally maintenance, repair, training, transportation and other services already undertaken may be continued to the nearest practicable stopping point.

Representatives of the United States Government have been holding preliminary, exploratory bilateral military staff conversations with representatives of Your Excellency's Government for the purpose of laying the foundation for military collaboration in future years. My Government is now engaged in studying the resulting reports and hopes to reach decisions shortly on the recommendations contained therein. While it obviously will take some time to formulate in detail policies of my Government which will insure to the fullest degree the continuance of the excellent military cooperation which has existed between the Government of the United States and Your Excellency's Government, you are assured that it is the intention of my Government to continue this cooperation, as envisaged by the staff conversations. While the Lend-Lease Act and the Lend-Lease Agreement can no longer be used to facilitate this cooperation, my Government is now

⁵⁴ Not printed; it quoted all but paragraph "E" (not applicable) of Joint Chiefs of Staff memorandum "Military Lend-Lease Policy after Unconditional Surrender or Defeat of Japan," approved by the President September 5, 1945, scheduled for publication in *Foreign Relations*, 1945, vol. VII.

formulating terms and arrangements which I am confident can be worked out to the mutual satisfaction of both our Governments.

Accept, Excellency, the renewed assurances of my highest consideration."

BYRNES

800.24/10-1045

*The Secretary of State to the Bolivian Ambassador (Andrade)*⁵⁵

The Secretary of State presents his compliments to His Excellency the Ambassador of Bolivia and has the honor to inform him that the President recently sent a memorandum to the Joint Chiefs of Staff concerning the issuance of lend-lease munitions of war and military and naval equipment to Allied Governments. Besides outlining the general terms for such issuance, the President directed that "maintenance items" for United States equipment now in the possession of allied armies might be issued, for purposes other than those specifically approved as eligible, against payment on terms and conditions to be determined by the Department of State and the Foreign Economic Administration in accordance with established procedures.

The Ambassador is hereby advised that until further notice, the War and Navy Departments may issue such maintenance items on the understanding that his government make full cash payment upon presentation of a bill by the Foreign Economic Administration. In view of the current readjustments in procurement by this government of munitions and military and naval equipment, it is suggested that this government should be informed of the requirements of the government of Bolivia for the maintenance items in question.

WASHINGTON, October 16, 1945.

810.20111/11-545

The Secretary of State to the Secretary of War (Patterson)

WASHINGTON, November 5, 1945.

MY DEAR MR. SECRETARY: As the period of the war emergency draws to a close, it is apparent that political unrest is mounting in a number of the other American republics. Economic and other dislocations caused by the war, together with the fact that in a number of countries populations are showing resistance to the continued utilization of special war powers, have developed conditions of tension in several republics, with analogous conditions apparently developing in several

⁵⁵ Similar notes were addressed by the Secretary of State to the diplomatic representatives of certain other American Republics in the United States.

of the others. An additional complication is the series of elections in many of these countries which will take place during the next few months and which often involve an unsettled period.

In these circumstances I raise for your consideration the desirability of curtailing visits by Army officers of general rank, whether these be formal or informal, until the desirability of each proposed visit can be examined by this Department in the light of the situation existing in the country concerned. Whereas during the war such visits were explainable in terms of the joint war effort, visits by high-ranking Army officers are now in some cases subject to misunderstanding or even on occasion to misrepresentation. It is my suggestion therefore that proposals for visits by officers of general rank be taken up through the established liaison channel and cleared with the Office of American Republic Affairs of this Department, and that that Office be informed sufficiently in advance of a proposed visit to enable the Department to communicate by telegraph with the American Ambassador concerned, in order to obtain his views.

A similar letter is being transmitted to the Secretary of the Navy with respect to visits by naval personnel.⁵⁶

Sincerely yours,

JAMES F. BYRNES

810.24/12-745

The Secretary of War (Patterson) to the Secretary of State

WASHINGTON, December 7, 1945.

[Received December 11.]

MY DEAR MR. SECRETARY: At the meeting of the Committee of Three⁵⁷ on 20 November, it was agreed to refer the whole matter of the United States military program in Latin America to the State-War-Navy Coordinating Committee for further study.

I fear that this course of action may result in further delay and the failure on the part of this Government to take positive action prior to this time is a matter of increasing concern to the War Department.

I think it well to give you a summary of the proposed action under this program, much of which has been initiated but little implemented. You will recall that this program was agreed to between the three departments in SWNCC 4/10⁵⁸ which was approved by the President last July.

⁵⁶ In their replies of November 13 and 23, respectively, the Secretaries of War and the Navy expressed general approval of this plan, subject to unqualified access by authorized personnel to bases or installations where United States military or naval units were stationed (810.20111/11-1345, /11-2345).

⁵⁷ Committee composed of the Secretaries of State, War, and the Navy.

⁵⁸ See footnote 48, p. 251.

It is becoming increasingly apparent to the Governments of countries with whom staff conversations have been held that they cannot depend on our promises to furnish them with arms and training. We are frequently receiving reports of efforts on the part of other nations to dispose of surplus arms and military equipment in Latin America. You will recall that, prior to the war, we were faced with a polyglot collection of military and naval missions throughout Latin America and I fear that, unless the United States Government takes some positive step, we will, in a short time, be faced with a similar situation. You must agree with me that such a situation would constitute a grave danger to the military security of the United States. All preparatory steps necessary to carry out the program approved by the President in SWNCC 4/10 have been taken by the War Department. By letters of 4 September and 30 October 1945 to the State Department⁵⁹ the War Department proposed small interim allocations of equipment to be disposed of to Latin American countries under surplus property procedures. No reply has been received from the State Department to either of these communications. Another point in this connection is the establishment of a policy for pricing the surplus equipment to be sold to Latin American countries under this program. I have been advised that no such policy has yet been established by the appropriate disposal agency. A draft of a proposed law to permit full implementation of the program of military collaboration of other Latin American republics has been prepared in the Latin American Subcommittee of the State-War-Navy Coordinating Committee but due to prolonged study by representatives of the Department of State has not yet been presented to the State-War-Navy Coordinating Committee. I am convinced that further delay is inadvisable and earnestly request that you give the entire matter your personal attention to the end that the matters mentioned in the preceding paragraph in addition to the overall study now before the State-War-Navy Coordinating Committee be expedited.

In the event that you are not presently prepared to approve the shipment of the interim allocation to certain of the Latin American countries for political reasons, it is strongly urged that approval of shipment to countries where the political situation is not an impediment be not withheld.

I am sending a copy of this letter to the Secretary of the Navy and would be pleased to discuss the subject further at the next meeting of the Committee of Three.

Sincerely yours,

ROBERT P. PATTERSON

⁵⁹ Latter not printed.

810.24/12-1045 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom
(Winant)*

WASHINGTON, December 10, 1945—8 p. m.

10694. Embassy Rio de Janeiro reports ⁶⁰ that representative of British Vickers Armstrong by name Leveson has just made offer of considerable number of all types combatant vessels with equipment and presumably instruction and experts at prices described by Brazilian Navy Minister ⁶¹ as substantially scrap value. Leveson stated he expected to make similar offers in Argentina, Chile and Peru. Brazilians concerned about possibility armament race in Americas and interference with orderly development of inter-American defense in co-operation with US. Rio's tel was repeated to Buenos Aires, Santiago and Lima.

It was impossible for me to see Halifax ⁶² but I requested Braden ⁶³ to express to Hadow ⁶⁴ of British Embassy our grave concern over this development and to point out that it might be first step in armament race which we all wish to avoid. Hadow expressed sympathy our views and promised communicate London and British Embassy Rio.

Please take up informally with Foreign Office on basis of danger starting armament race Latin America and of complicating inter-American defense plans. Telegraph report to Department and repeat to Embassies Rio de Janeiro, Buenos Aires, Santiago and Lima. Our Embassies in four Latin American countries named have been instructed to discuss with British Ambassadors.

BYRNES

810.24/12-1945 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary
of State*

[Extract]

LONDON, December 19, 1945—6 p. m.

[Received December 19—5:10 p. m.]

13285. Dept's 10694, Dec. 10, received Dec. 13. We discussed its contents today with Perowne, head of South American Dept.

Perowne said that a report of conversation between Mr. Braden and Hadow was received by Foreign Office on Dec 5 and that this report with related documents was now with Noel Baker, Minister of State.

⁶⁰ Telegram 3594, December 4, p. 648.⁶¹ Adm. Jorge Dodsworth Martins.⁶² Lord Halifax, British Ambassador to the United States.⁶³ Spruille Braden, Assistant Secretary of State.⁶⁴ Robert Henry Hadow, Counselor of the British Embassy.

He added that Noel Baker's observations would soon be available and then a considered Foreign Office statement on questions of arms and defense would be given US.

For the present Perowne added he could assure us that British Govt was equally concerned with any armaments race starting and equally interested in taking prompt steps to arrest any developments of that nature.

WINANT

810.24/12-1945

The Acting Secretary of State to the Secretary of War (Patterson)

WASHINGTON, [December 19, 1945.]

MY DEAR MR. SECRETARY: The Department of State has given careful consideration to the proposed interim allocation of ground and air force equipment which the War Department submitted in accordance with the procedure established in the State-War-Navy Coordinating Committee paper 4/10. Reference is made to your letter of September 4, 1945, supplemented by a memorandum of October 30, 1945, addressed to the Director of the Office of American Republic Affairs by Colonel R. L. Vittrup, G.S.C.⁶⁵

The present situation in most of the other American republics is one of great political instability. For this reason, the Department believes it is imperative to proceed conservatively and with the greatest care in the shipment of arms to those countries. Experience during the war has shown that increased armaments can easily lead to increased suspicions and jealousies among the other American republics, placing a strain upon the unity of the inter-American system. The suppression of opposition by dictatorial governments, or, in any event, the serious destruction of life and property, arising from the use of such arms in political disturbances are consequences which would react most unfavorably upon our political relations with the other American republics and prejudice their continued friendly support of the United States in world affairs. Public opinion in the U.S. would also be aroused over such developments. I make this point in order to emphasize the extreme concern which the Department experiences in regard to increasing the armaments in the hands of many of the other American republics, for any serious deterioration in the political relations between those countries and the United States would, of course, seriously jeopardize the objective of national security which the War and Navy Departments and the State Department are jointly trying to achieve.

⁶⁵ Latter not printed.

The Department appreciates, however, the importance of the military objectives set forth in the State-War-Navy Coordinating Committee paper referred to above. It is the Department's aim to facilitate the achievement of those objectives, while at the same time soliciting your cooperation in shaping the program of military collaboration with the other American republics with a maximum regard for the problems to which I have just referred. Toward this end, the Department believes it important to establish the following policies in regard to the implementation of this program.

(1) Such arms, munitions and implements of war (excluding non-tactical aircraft) as are agreed upon by the three Departments should be made available to other American governments only after an undertaking has been obtained from each government that it will follow the policy of standardizing its military organization, training and equipment in accordance with those of the United States armed forces and will confine its purchases of equipment to those which conform to these standards unless the United States is unable to provide such equipment. This is necessary, I believe, to insure that other countries do not acquire from other sources additional arms which will have the net result of increasing their armament without achieving the objective of standardization.

(2) As soon as legislative authority exists for such a procedure, this Government should attempt to obtain, in exchange for equipment provided to other governments, equivalent amounts of non-American equipment now in the hands of other governments. Steps to obtain the necessary legislative authority are already being undertaken.

(3) Equipment should be made available on equal terms to the American republics purchasing it.

Subject to the foregoing policies, the Department approves the proposed interim allocation of equipment for ground forces to other American republics, but requests that deliveries be withheld from the following countries where political conditions make any shipments of U.S. arms highly undesirable at the present time: Argentina, Dominican Republic, Haiti, Honduras, and Nicaragua. It is also requested that the amounts to be made available to Bolivia and Paraguay be reduced.

With respect to air forces, the Department approves the allocations of cargo planes, primary trainers, basic trainers and AT-6's included in the War Department's interim program, with the exception that no planes of any type be sent at this time, because of immediate political situations, to Argentina, Nicaragua or Paraguay, and no AT-6's to Dominican Republic, Haiti or Honduras. At the meeting in Mr. Braden's office on December 17, there was a discussion of the question of tactical planes including AT-11's. The question of the quantity of these planes to be made available is still under consideration by representatives of the Department of State and of the War Depart-

ment, and I am confident that a final decision on these aircraft can be made within a few days.

The question of implementing staff conversations in Panama will be discussed with representatives of the War Department separately, and pending such discussion it is requested that no equipment be offered to Panama under the Army program.

A copy of this letter is being sent to the Secretary of the Navy.

Sincerely yours,

DEAN ACHESON

740.00119 Council/12-2145: Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Harriman)

WASHINGTON, December 21, 1945.

2618. SecDel ⁶⁶ 33. Braden met with War and Navy Depts representatives December 17 and in accordance with decision of Staff Committee ⁶⁷ on December 11 agreed to interim small program for equipping ground and air forces of several of the other American republics from surplus stock in United States. Offer will be made in near future to Latin American countries concerned, equipment in each case being sufficient for small unit, varying with size of country, for infantry, artillery and air forces. For air forces equipment at present includes only cargo and training planes, question of combat planes still being discussed with War Dept.

It remains our policy to restrict arms shipments to Latin America and avoid any armaments race. Subject to these commitments it is therefore still desirable for you to discuss with British FonMin ⁶⁸ possibility of arriving at understanding whereby United Kingdom would cooperate with us to avoid competitive arms race.

ACHESON

810.24/12-3145

The Acting Secretary of War (Royall) to the Secretary of State

WASHINGTON, December 31, 1945.

DEAR MR. SECRETARY: Receipt of your letter of 19 December 1945 with regard to the initial shipments of military equipment to Latin American countries is acknowledged.

I fully agree that we must guard against increasing the armaments of any Latin American country to an extent which might cause a

⁶⁶ Designation used for telegrams addressed to the Secretary of State or his delegation in attendance at the Moscow Conference of Foreign Ministers, December 16-26, 1945. For documentation see vol. II, pp. 560 ff.

⁶⁷ Secretary's Staff Committee.

⁶⁸ Ernest Bevin.

deterioration of our political relations with these countries, or lead to suspicions and jealousies. These matters, as well as the economic means of each country to support armed forces, were considered in the conduct of the Bi-Lateral Staff Conversations upon which the interim allocations of equipment are based.

I agree also to the three policies you have set forth in your letter as being important to the implementation of this program. These conditions were generally agreed to during the conduct of the Bi-Lateral Staff Conversations. These conversations were exploratory only, and not binding on the countries concerned. It is felt, however, that these nations will readily agree to the policies, providing it is understood that this is only an interim program. I assume that, since the actual disposal of the property to the countries concerned will be accomplished through the State Department, you will take the necessary steps to insure the agreement of the various nations concerned to the policies you enunciate.

Pending further advice from you, no further action will be taken on shipments to Dominican Republic, Haiti, Honduras, Panama, and Nicaragua. No shipment is contemplated for Argentina, since no Bi-Lateral Staff Conversations were held with that nation.

In view of your request that the amounts to be made available to Bolivia and Paraguay be reduced, I am deleting one (1) Battery of Field Artillery, Light (T/O & E 6X155) from the interim allocation for each of these countries.

The allocations with respect to aircraft will be amended in accordance with your desires. It is hoped that an early decision regarding tactical planes, and AT-11s, will be forthcoming.

The War Department is setting aside the equipment agreed upon and, pending further advice from you that the negotiations with the various countries have been made, steps are being taken to have this equipment ready for prompt shipment.

I feel certain that the action being taken by the United States at this time toward the implementation of the Policies set forth in State-War-Navy Coordinating Committee paper 4/10 and approved by the President in State-War-Navy Coordinating Committee paper 4/12⁶⁹ will, if consummated at an early date, serve to strengthen the solidarity of the Pan American Union, and will be to the best interests of the national security.

Sincerely yours,

KENNETH C. ROYALL

⁶⁹ Memorandum dated August 13, 1945, not printed.

QUESTION OF THE ADVISABILITY OF SENDING MILITARY MISSIONS TO THE AMERICAN REPUBLICS

[On September 20, 1944, Secretary of War Stimson wrote to Secretary of State Hull requesting the views of the Department of State as to the advisability of establishing United States military missions in the various American Republics. Acting Secretary of State Stettinius replied on November 30 that the Department was sympathetic to the basic objectives of establishing such missions, as had been indicated in his letter of February 29 to Admiral Leahy (*Foreign Relations*, 1944, volume VII, pages 93 ff.), but he pointed out that "in considering the advisability of establishing a new Military Mission in any country, careful consideration must be given to other factors in addition to the military ones you mention before reaching a definite decision on the merits of each individual case." Copies of the letters of September 20 and November 30 were sent by the Department to the diplomatic representatives of the United States in the American Republics except Argentina (810.20 Mission/12-1244). Documentation for 1945 on existing or proposed United States military, naval, or air missions is included in appropriate sections under the various countries in this volume.]

EFFORTS BY THE DEPARTMENT OF STATE TO PREVENT THE RETURN TO THE AMERICAN REPUBLICS OF DANGEROUS ENEMY ALIENS INTERNED IN THE UNITED STATES

740.00115 EW/5-845

The Acting Secretary of State to the Secretary of War (Stimson)

WASHINGTON, May 8, 1945.

MY DEAR MR. SECRETARY: A collateral result of the program of Hemisphere security in which the United States Government has provided facilities within this country for the detention of dangerous Axis civilians deported from the other American republics is that there are now in internment camps or elsewhere in this country approximately 1,000 enemy European nationals and approximately 1,300 Japanese nationals deported from the other American republics. This Department feels that good public policy calls for the earliest possible removal of such persons from this country after the termination of hostilities in Europe and Asia respectively. Not only does their continued stay in the United States constitute a burden for the American taxpayer, but as a group they are not desirable additions to our own population. Our national interest and our international obligations under Resolution VII adopted at the recent Inter-American Conference on Problems of Peace and War at Mexico City¹ militate against their being returned, except in most unusual cases, to the countries from which they were originally deported.

The unspeakable atrocities uncovered in Germany by the forces under the command of General Eisenhower² serve to emphasize the undesirable character as members of our communities in this country of those Germans who have been unable to accustom themselves to the free and democratic manner of life which the peoples of the Americas prefer. We have not in this country the legal means to exercise upon such unassimilable persons stern measures for restraint and reeducation such as will be applied to them if they are returned as soon as possible to their own country and are dealt with as we deal with the

¹ For text of Resolution VII, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 38. For documentation regarding this Conference, see pp. 1 ff.

² Gen. Dwight D. Eisenhower, Supreme Commander, Allied Expeditionary Force.

remainder of the German population under military government. Delay or temporization in removing such individuals from our midst will be interpreted by them as a sign of weakness and as an invitation to exploit that weakness by exerting every effort to remain here. If they remain in this Hemisphere we may expect them, because of their innate and continuing hostility to our Government and to our people, to work continually against us. Their characteristic reaction to the facts which General Eisenhower is forcing other Germans to see with their own eyes at Buchenwald³ and elsewhere would be, even in the face of irrefutable testimony, that we had slandered their people and their Party with propaganda. Each such individual who escapes the control of the military government in Germany represents a possibility of the preservation and dissemination in our midst of poisonous Nazi doctrines. Of course, the number and viciousness of such individuals in our hands are relatively insignificant in comparison with the situation uncovered in Germany.

In view of the foregoing considerations it is the opinion of the Department of State that the prompt deportation from this country of the enemy nationals referred to will become a matter of great urgency as soon as hostilities are terminated in any given theater. It is most desirable to avoid the situation which occurred after the last war when numbers of internees and other persons were not released from confinement until a number of years had elapsed after termination of hostilities. It is my understanding that the legislative branch of the Government has evinced some anxiety on this score on fiscal grounds.

In Mr. Stettinius' letter of November 7, 1944, to Admiral Leahy,⁴ he indicated that after the termination of formal hostilities in Europe the Department of State desires in the public interest to use the *Gripsholm* among other purposes to repatriate European undesirables who are now largely subsisting in this country at the cost of the taxpayer and whose subsequent removal from this country may be expected to become increasingly difficult to effect. The time for effectuating that program is near at hand and I should appreciate being informed whether you are in sympathy with it.

I am sending a copy of this letter to the Attorney General⁵ for his comment and I am sure that both he and I will greatly appreciate the expression of your views on the subject. This Department's attitude toward some aspects of the problems involved herein is set forth in

³ Village in East Germany near Weimar; site of a concentration camp, 1937-1945.

⁴ Adm. William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy; letter not printed.

⁵ Francis Biddle.

greater detail in the attached copy of minutes of a meeting held on August 31, 1944.⁶

Sincerely yours,

JOSEPH C. GREW

740.00115 EW/5-1645

*The Acting Secretary of State to the Ambassador in Costa Rica (Johnson)*⁷

No. 69

WASHINGTON, May 16, 1945.

The Acting Secretary of State encloses copies of Resolution VII of the recent Inter-American Conference on Problems of War and Peace together with a list⁸ classifying for purposes of repatriation the European alien enemies from Costa Rica who are now interned in the United States.

Classification of alien enemies named in this list is based upon information available in the United States and upon the categories defined in the meeting of officers of the Department of State on August 31, 1944 in regard to the post war disposition of interned alien enemies from the other American republics. A copy of the memorandum of this meeting is enclosed for your information.⁹

The Officer in Charge is instructed to circulate this list among the appropriate officers of the Embassy dealing with security, economic and political matters with the request that they give their comments on these classifications and provide any additional information which might affect the classification of these individuals. It should be impressed upon all concerned that consideration of this matter should be hastened in view of current developments.

After the Embassy's comments and those of the other Government agencies are received and collected, it is anticipated that the Embassy will be apprised of any revisions in the attached list and will be asked to obtain the concurrence of the Costa Rican Government in the classifications made.

740.00115 EW/5-2245

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, May 22, 1945.

MY DEAR MR. SECRETARY: I have your letter dated 8 May 1945, SWP,¹⁰ in which you recommend that certain interned enemy na-

⁶ Not found in Department files.

⁷ This instruction, *mutatis mutandis*, was sent on the same date to the diplomatic representatives in the American Republics except Argentina, Brazil, Cuba, Mexico, Paraguay, Uruguay, and Venezuela.

⁸ List not found in Department files.

⁹ Not found in Department files.

¹⁰ Special War Problems Division, Department of State.

nationals, who were brought to this country from Latin America for internment as dangerous enemy aliens, be sent back to Germany and Italy as soon as possible.

The ultimate disposition of these interned German and Italian nationals is, of course, a matter for decision by your Department and the Department of Justice, and, therefore, not one with respect to which I feel I may properly comment.

However, since the immediate return of these aliens to Germany and Italy is a matter of direct interest to the theater commanders concerned, I have requested their views on your recommendation. The Commanding General, Mediterranean Theater of Operations¹¹ has advised the War Department that there is no objection to the immediate return to Italy of the thirty odd Italian nationals in this category. If the return of these Italian nationals is undertaken, it is requested that the War Department be advised of their movement sufficiently in advance to enable the theater commander to make the appropriate arrangements for their reception in Italy.

With respect to the return to Germany of the approximately one thousand German nationals, the Supreme Commander, Allied Expeditionary Force, states that, while there is no objection to their ultimate return, it is impossible to accept them at present in view of the disturbed conditions in Germany at this time. As soon as the situation in Germany is such as to permit the return of these nationals, you will be promptly advised of the fact, and the War Department will be glad at that time to cooperate in effectuating their return.

Sincerely yours,

HENRY L. STIMSON

740.00115 EW/5-1745

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

WASHINGTON, June 14, 1945.

SIRS: The following letter is being sent to the Attorney General:

"The American Ambassador at Rio de Janeiro¹² and the American Embassy at Habana have requested this Department to provide them with a statement respecting the policy of the United States Government in carrying out the release or repatriation of interned German nationals. There are indications from our Missions in the other American republics that the announcement by this Government of its policy toward German internees is awaited with considerable curiosity and will be followed as a guide by the other American republics in dealing with the obnoxious Germans residing in their territory.

¹¹ Field Marshal Sir Harold R. L. G. Alexander.

¹² Adolf A. Berle, Jr.

"From the point of view of our post-war relations with the other American republics and our long-range economic and political interests in Allied and neutral countries throughout the world, it is considered most desirable that the Germans who form the core of Pan-German economic and political penetration of other countries should be compelled to return to Germany. You will recall that this point of view was partially set forth in my letter to the Secretary of War of May 8, 1945 a copy of which was provided you for your information and comment. It is increasingly being brought to the attention of this Department that effective cooperation of other governments in achieving the objective referred to above can be obtained only if the United States Government takes a lead in this matter.

"Informal inquiries have been received from the British Embassy regarding the policy of this Government toward the repatriation of undesirable Germans and suggesting the possibility of a joint Anglo-American effort to effect the world-wide repatriation of undesirable Germans.

"In order to enable me to answer inquiries from our Embassies abroad and to discuss possible plans for concerted action with the British Embassy at Washington, I should greatly appreciate receiving at your earliest convenience an expression of your views upon this most important subject."

You will be informed of the response to the above letter.

The Department desires that you proceed promptly to compile a list of German nationals in the country to which you are accredited who should be sent to Germany if it becomes practicable to carry out the program foreshadowed in the second paragraph of the above letter. You should use as the bases of your list (1) the lists of dangerous German nationals approved for internment in the United States by representatives of the Alien Enemy Control Unit, Department of Justice, to the extent that such lists exist in your Embassy and (2) the records of your Proclaimed List Section. Please consult and collaborate with your British colleagues.

The lists, when completed, should include all known agents of Germany, all propagandists for Nazism or Pan-Germanism, all research experts and students, all scientifically skilled persons and all persons qualified to hold superior executive posts in commerce or government. As self-declared political nonassimilables, they should include all other categories of persons who sought repatriation to Germany during the period of hostilities.

Aliens included on lists under (1) above may still be sent to the United States for internment pending onward transportation to Germany. They may be accompanied or followed by their immediate families who are also Germans. Transportation to Germany will be provided as soon as military authorities are able to accept Germans from abroad.

Other Germans cannot be accepted in the United States at present. Transportation facilities available at the time when SHAEF¹³ agrees to receive them will determine whether they will proceed direct or through this country.

Please report in the near future your estimate of the extent to which this program, if activated, may be successful in the country to which you are accredited. When the lists are compiled report the number of the individuals concerned, the number of dependents who might accompany them and the proportion whose expulsion may be expected if the country to which you are accredited cooperates (a) effectively, (b) moderately, (c) superficially.¹⁴

Very truly yours,

For the Acting Secretary of State:
J. C. HOLMES

[On July 14, 1945, President Truman issued a proclamation which authorized the Attorney General to order the removal from the United States of alien enemies designated in certain previous proclamations whom he deemed to be dangerous to the public peace and security of the United States through adherence to enemy governments or the principles of those governments. For text of proclamation, see Department of State *Bulletin*, July 22, 1945, page 107, or 59 Stat. (pt. 2) 870.]

711.62115/8-1245 : Telegram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

SAN JOSÉ, August 12, 1945—3 p. m.

[Received 4: 55 p. m.]

476. This morning President Picado and Foreign Minister Acosta received me accompanied by secretaries Washington and Maney to discuss question of reparation [*repatriation*] of interned Germans (see Department's telegram 338, August 9, 7 p. m.¹⁵). After I stated case as set forth in Department's instructions President replied that Costa Rican Government must make distinction between Germans who are married to Costa Ricans and those who have no Costa Rican family ties. He pointed out that Costa Rica being a small country

¹³ Supreme Headquarters, Allied Expeditionary Force.

¹⁴ Transportation problems and other factors delayed action, through the close of 1945, on this plan for repatriation to Germany of dangerous German nationals interned in the American Republics.

¹⁵ Not printed; it instructed the Embassy to present to the Costa Rican Foreign Office a corrected classified list of German nationals from Costa Rica interned in the United States, and to request the Foreign Office to accept this list before August 12 in order to take advantage of transportation opportunities (711-62115/8-945).

family connections play a large role and interests of one person are extended thereby to much larger group. He said that pressure on him is tremendous to protect Germans who have Costa Rican families. He called attention to fact that practically all Germans and families connected with Germans were Communist as in the last election and therefore he is not speaking on behalf of political partisans. He stated, however, that as he has to live in country he can not fail to be affected by strong pressure which families of certain Germans can bring to bear upon him. During temporary absence of the President from room, Foreign Minister Acosta stated that both President and he are deluged with appeals and that one anonymous letter to him threatened President's assassination if Germans married to Costa Ricans are repatriated. President stated that according to one Costa Rican lady recently returned from internment camp, chief of camp told her and other Costa Rican women that only thing needed was intervention of Costa Rican President to free their husbands. President feels that responsibility has been placed upon him in minds of Costa Ricans.

Upon our pointing out that some Germans married to Costa Ricans are considered dangerous, President agreed to look over list name by name. [Here omitted are a list of three Germans whose return to Costa Rica the President would not insist upon, and a list of 20 individuals and families, amounting to 52 persons in all, with whose repatriation to Germany he did not concur.]

In opinion of Embassy potential harm which might be done to US interests by return of above Germans to Costa Rica must be balanced against anti-American feelings which would be aroused were we to insist on repatriating them to Germany.

Embassy recommends Department accede to President Picado's request.

JOHNSON

710.62115/8-1445

Memorandum by the Assistant Chief of the Division of North and West Coast Affairs (Wells) to the Acting Chief of That Division (White)

[WASHINGTON,] August 14, 1945.

Irrespective of other considerations, this Government appears to have a definite commitment with the Peruvian Government not to send these German internees to Germany without their own consent.

While we intended the commitment to apply only for the duration, there is evidence that we intentionally lead the Peruvian Government to understand otherwise; and from time to time spokesmen for the

Peruvian Government have indicated that they do not consider the commitment to be limited to the war period. Department's decision not to forcibly repatriate deportees was expressed in its telegram no. 223, March 1, 1944, to Lima,¹⁶ the substance of which was made known to the Peruvian Government as well as the German colony at large. This telegram cautions the Embassy to avoid any reference to their disposition after the war. Thus far a search of the records, admittedly incomplete, has failed to reveal that we ever clarified our intentions. The present Foreign Minister, Dr. Correa, in conversation with Embassy officers on May 15, 1945, "recalled that according to the agreement with Peru, they could not be sent to Germany without their own consent" (Embassy's despatch no. 3281 of May 15¹⁶).

Regardless of our interpretation of the agreement, this statement of Dr. Correa clearly indicates what the Peruvian Government understands the commitment to be. Even admitting our interpretation, is it not premature to repatriate these Germans before the peace treaty? Are we not at war with Germany until a final peace document is signed?

Without going into considerations of general policy on this question, I think this Government should, in exercise of simple good faith, acquiesce in any requests that the Peruvian Government may make for the return to Peru of individual internees, regardless of their classifications; especially since the Embassy's telegram no. 891 [831], August 8, 7 p. m.,¹⁶ indicates that the Peruvian Government is taking a very reasonable attitude, limiting its interest to those internees involving Peruvian wives or with certain local sentimental connections.

It might be well to bear in mind a number of other circumstances in this connection which cannot be ignored:

1) President Bustamante is said to have been critical of the Peruvian Government's "cooperation" with the United States in the deportation program. His sister-in-law (married to a German) was killed in one of the U. S. air raids over Hamburg, a fact which possibly has an unfavorable bearing on his whole attitude.

2) The new Minister of Justice, Dr. Alayza, married to a German, has been critical of the United States during the war, and is in an excellent position to cause embarrassment should he choose to do so.

3) It appears that the new Minister of Public Health, Dr. Oscar Trelles, is the brother-in-law of one of the class "A" internees (Detgen). Should he be deported hastily before the Minister is aware of what is happening, an embarrassing request for his return from Germany may follow.

Whatever attitude this Government may adopt, it would seem definitely more politic to proceed with the repatriation program only

¹⁶ Not printed.

after full and frank consultations with the Peruvian Government on a case to case basis. Evidence on each individual should be presented to the Peruvian Government for the purpose of avoiding future complaints. Otherwise, without doubt, the Peruvian Government will allege that it would not have consented to the repatriation of certain individuals (such as Detgen) had it been aware of all the circumstances.

711.62115/8-1245 : Telegram

The Secretary of State to the Chargé in Costa Rica (Gibson)

WASHINGTON, August 18, 1945—4 p. m.

352. Attitude of Costa Rican Govt in desiring the return to Costa Rica of the twenty dangerous and influential German nationals listed your 476 August 12, has been noted with grave concern. Dept realizes the political implications of such cases but fails to understand Costa Rican Govt's attitude in view of Resolution VII of the Mexico Conference to which Costa Rican Govt freely subscribed.

You are requested to seek immediately an interview with President and FonMin and express the deep feeling of this Govt that such persons should not be permitted to remain in this Hemisphere where they can again form a nucleus of Pan-Germanism. You may mention that great majority of the other American republics have given their full concurrence in the deportation of all German internees from those respective countries regardless of mitigating circumstances such as family ties, etc. Moreover this Govt intends to deport German residents of the US whose activities prior to and including the war constituted symbols of Pan-Germanism regardless of mitigating circumstances such as family ties.

You should refer to SAFEHAVEN project covered by Depcir instruction June 14, 1945 in which project Brit, French, Belgian and Soviet Govts have associated themselves. You should emphasize the determination of these Govts to bring about the return to Germany of all exponents of Pan-Germanism (economic or political) now residing in the United Nations and in neutral states, and express our hope that the Costa Rican Govt will reconsider favorably the cases mentioned your 476. You may say in strict confidence that such neutrals as Spain and Sweden have already agreed to the deportation from those countries of such Germans, regardless of family connections.

You may point out that the Dept feels that full publicity must be given to all cases of influential and dangerous Germans including their activities prior to the war, who are endeavoring through one means or another to return to the other American republics to form

a nucleus of a new Pan-German movement in the Western Hemisphere, as well as to the cooperation or lack thereof by the Govt concerned to the program under Resolution VII of Mexico for their removal from this Hemisphere.

You may explain that this Govt has no intention of forcing the departure for Germany against their wishes of native-born Costa Rican families but strongly feels that Costa Rican Govt should consent to the deportation of all Germans from Costa Rica now interned in the US. (Costa Rican families will be permitted to return to Costa Rica at the expense of this Govt). Point out that of the 20 persons whose return Costa Rica now requests, Dept has on file signed petitions dated 1944 for repatriation to Germany of Walter Arend and family, Kalinowsky and family, Wagemans and wife and Zehner and wife.

BYRNES

711.62115/8-1145 : Telegram

The Secretary of State to the Ambassador in El Salvador (Simmons)

WASHINGTON, August 18, 1945—4 p. m.

142. Walter Deininger is considered by Dept and other interested agencies of the Govt as one of the most influential and dangerous Germans in this Hemisphere.¹⁸ Dept strongly feels that he should be deported to Germany at this time. The Embassy is fully familiar with his activities and the activities of certain unscrupulous and mercenary individuals during past year to bring about his return to Salvador.

You are requested to approach immediately FonMin in following manner: Carefully review Deininger's activities prior to his deportation and the efforts made to restore his Salvadoran citizenship. Refer to Resolution VII of Mexico Conference providing for expulsion from this Hemisphere of dangerous persons and Resolution XVII of the third meeting of the Ministers of Foreign Affairs Rio de Janeiro in January 1942,¹⁹ providing for the cancellation of the citizenship of

¹⁸ On the morning of August 18 the Ambassador from El Salvador, Dr. Hector David Castro, and the First Secretary, Mr. Carlos Siri, called at the Department of State and spoke to Messrs. Cochran and Newbegin of the Division of Caribbean and Central American Affairs about the question of German internees from El Salvador, and in particular about Walter Deininger, whom Mr. Cochran described as "the spearhead of the Pan German movement". In a memorandum of conversation Mr. Cochran recorded that "the Ambassador's attitude was still that there was no proof of direct subversive activity on Deininger's part and no evidence that in applying for Salvadoran naturalization he had gone on record with the German authorities that this was done under duress and that he intended to remain a loyal German" (711.62115 AR/8-1845).

¹⁹ For text of Resolution XVII, concerning subversive activities, see Department of State *Bulletin*, February 7, 1942, p. 128. For documentation regarding the third meeting of Foreign Ministers of the American Republics, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

such persons. Refer to the *SAFEHAVEN* project covered by Dept's circular instruction June 14, 1945 in which the Brit, Soviet, French and Belgian Govts have associated themselves and emphasize determination of these Govts to bring about the return to Germany of all exponents of Pan-Germanism (economic or political) now residing in the United Nations and in neutral states. You may say in strict confidence that such neutrals as Spain and Sweden have already agreed to the deportation from those countries of such Germans regardless of family connections. You may inform the FonMin that this Govt intends to return to Germany German residents of the US whose activities prior to and including the war constituted symbols of Pan-Germanism regardless of mitigating circumstances such as family ties. Since Deininger is seeking a divorce the presence of his wife in Salvador does not arise. You may say that great majority of the other American republics have given their full concurrence in the deportation to Germany of all German internees from those countries now interned in the US and express our definite hope that the Salvadoran Govt will agree to the deportation of Deininger.

You may point out that the Dept feels that full publicity must be given to all cases of influential and dangerous Germans including their activities prior to the war, who are endeavoring through one means or another to return to the other American republics to form a nucleus of a new Pan-German movement in the Western Hemisphere, as well as to the cooperation or lack thereof by the Govt concerned to the program under Resolution VII of Mexico for their removal from this Hemisphere.

BYRNES

711.62115/8-1545: Telegram

The Secretary of State to the Ambassador in Peru (Pawley)

WASHINGTON, August 25, 1945—1 p. m.

830. Please immediately approach FonMin in re your 852 of August 15²⁰ and explain to him the following:

Majority of other American republics in conformity with Resolution VII of the Mex Conference has given full concurrence to the deportation of all German internees from those respective countries regardless

²⁰ Not printed; it explained the Foreign Minister's reluctance to approve the deportation to Germany of German nationals from Peru interned in the United States, and recommended that a strong instruction be sent for the Ambassador's use recommending that the decisions on deportation be left to the discretion of the United States Government (711.65115/8-1545).

of mitigating circumstances such as family ties. It is felt that, in view of Peru's outstanding cooperation during war, that Govt will not wish to be behindhand in this respect.

[There are omitted here instructions similar to those sent to the Ambassador in Costa Rica in telegram 352, page 274.]

The FonMin has referred to a verbal understanding that Germans deported from Peru should not be sent to Germany during war against their will. The circumstances which prompted this, however, can hardly be held to apply now that the hostilities have terminated and wartime personal danger to the internees is removed.

Of the 129 Germans and their families from Peru 59 have signed petitions for repatriation to Germany and 23 have refused to state their wishes in regard to the repatriation to Germany, thus indicating desire not to go on record as being disloyal to the fatherland.

This Govt is willing to investigate further and discuss with Peruvian Govt any cases in which it is interested, the more so as the Dept feel that full publicity will eventually have to be given to all deportee cases and particularly to those who are endeavoring through one means or another to return to other American republics to form nucleus of new Nazi imperialistic or Pan-German movement in the Western Hemisphere.

BYRNES

711.62115/8-3045 : Telegram

The Chargé in Costa Rica (Gibson) to the Secretary of State

SAN JOSÉ, August 30, 1945—5 p. m.

[Received 10:13 p. m.]

514. Supreme Court of Costa Rica by vote of 14 to 3 today issued writ of habeas corpus directed [*directing?*] President of Republic to produce body of Franz Amrhein a German civilian internee in the United States from Costa Rica. Similar writs will probably follow in quick order in favor of other German internees. Despatch follows.²¹

GIBSON

²¹ Despatch 963, September 5, 1945, not printed.

711.62115 AR/8-3145

Memorandum of Conversation, by the Assistant Chief of the Special War Problems Division (Clattenburg)

[WASHINGTON,] August 30, 1945.

Participants: Mr. Herbert Wechsler, Assistant Attorney General;
Mr. Armand D. Dubois, Acting Director, Alien Enemy Control Unit, Department of Justice.
Mr. Richard W. Flournoy, Assistant Legal Adviser, Department of State.
Mr. William P. Cochran, Chief of Division of Caribbean and Central American Affairs, Department of State.
Mr. R. C. Alexander, Assistant Chief of Visa Division, Department of State.
Mr. A. E. Clattenburg, Assistant Chief of Special War Problems Division, Department of State.

Mr. Wechsler explained that the Commissioner, Immigration and Naturalization Service,²² had expressed his reluctance to proceed with the delivery to the Department of State for repatriation to Germany of a group of Germans sent to the United States from the other American republics for internment and repatriation, in view of the facts that a number of these Germans expressed unwillingness to return to Germany and that the Immigration and Naturalization Service had no legal authority which it could adduce in support of such action. Mr. Wechsler pointed out further that two German nationals scheduled for removal to Germany and apprehended for that purpose have filed habeas corpus suits and that, whereas the authority of the Department of Justice to detain German nationals was clear, it was not clear that it had authority to force their removal from this country, and that it further appeared that in cases where the individuals might adduce prima facie evidence that they were not enemy nationals, the Department of Justice could not even maintain its custody of such individuals. Mr. Wechsler felt that in view of the plan to send from the United States to Germany the following week a group of Germans who had been brought to this country from other American republics, the matter deserved the most serious consideration. He requested from the State Department a statement of the theory under which the Department would hold that it had the authority to remove these persons from the United States.

As a preliminary to further discussion, Mr. Clattenburg reviewed the circumstances under which these individuals find themselves in

²² Ugo Carusi.

the United States. He pointed out that so far as concerns Germans, those remaining here are the residue of a much larger [larger] number brought here for internment and repatriation. Only those Germans who had refused repatriation during the existence of the Nazi regime for whatever reason, and had not been forced to proceed to Germany against their will, and those persons against whom there had been security objections, regardless of whether they wished repatriation or not, now remain in the United States. All those Germans found harmless from the point of view of security and willing to return to Germany had been included in exchanges of nationals with Germany during the course of hostilities. With respect to the Germans who had refused repatriation, a variety of motivations existed. Some were originally volunteers for repatriation in 1942, evincing a loyalty to Nazi Germany which otherwise might not have been of record but subsequently changed their mind on reaching the United States. Others have frankly stated that they allowed themselves to be removed to the United States on the assumption that they could arrange upon arriving here, in view of the well-known American generosity, to evade repatriation and obtain legal entry into this country for permanent residence. A variety of personal, business and family grounds were also advanced in the different cases. All had been brought to the United States on the assumption that it would be feasible to repatriate them almost immediately, which assumption later turned out not to be justified in these particular cases. The situation of the Department of State in regard to them appeared to be one requiring the exercise of judgment and discretion in coping with a situation without a precedent. The Department of State never had an intention of conferring upon these persons any right to remain in the United States. It therefore had specifically instructed its consular officers that they were not to be granted visas and had arranged with the Immigration Service for them to land and proceed to internment camps without the formality of admission under the immigration laws.

Mr. Flournoy and Mr. Alexander stated that so far as they were aware the Department of State had no authority under the immigration laws to remove these individuals.

Mr. Cochran indicated the serious political difficulties which would ensue upon failure to remove these individuals or a great delay in removing them.

Consideration was given to the means of establishing legal authority for the removal of the Germans scheduled for repatriation without regard to their wishes on the *N.Y.U. Victory* leaving New York September 8. Mr. Wechsler suggested that the Department of State might obtain from the President a Proclamation conferring

upon the Secretary of State the authority to issue orders of removal against enemy aliens sent here from the other American republics who have no immigration status and are deemed by the Secretary of State to be dangerous to the safety of the nation and the security of the Hemisphere, with authority to call upon other agencies of the Government to assist in such removal. Authority for the issuance of such Proclamation may be found in Section 4067 of the Revised Statutes (50 U.S.C. 21).

It was agreed that although the time was short, an effort would be made to obtain the necessary Proclamation and that the Department of State would make a draft for submission through regular channels after informal advance clearance with the Department of Justice.

711.62115 AR/8-3145

Memorandum by the Secretary of State to President Truman

[WASHINGTON,] August 31, 1945.

I attach for your consideration a draft of a proclamation²³ authorizing the Secretary of State to order the removal from the United States of certain individuals whose removal from other American republics and internment in the United States pending repatriation was agreed upon between this Government and those other republics in the interest of national and Hemisphere security.

At a conference held in the Department of Justice on August 30, 1945 it was concluded that the powers conferred upon that Department by your proclamation of July 14, 1945 do not cover the situation of the individuals referred to above. It furthermore developed that our political relations with the other American republics, including commitments arising out of the recommendations adopted at the Rio de Janeiro and Chapultepec Conferences, as well as out of a Resolution adopted by the Emergency Advisory Committee for Political Defense at Montevideo at the suggestion of the United States representative, make the situation of these enemy aliens different from that of the enemy aliens apprehended in the United States to whom the Proclamation of July 14, 1945 relates. Furthermore it was ascertained that the Department of Justice would prefer that the Secretary of State determine which of these persons should be removed from the United States to Europe or Asia on grounds that their further residence in this Hemisphere would be prejudicial to the national safety and the security of the Hemisphere.

The recent arrest in Trinidad and transfer to this country of a German espionage agent who left Europe for this Hemisphere after

²³ Draft not printed; see bracketed note, p. 283.

the complete surrender of Germany emphasizes the importance of this matter as a measure of security.

The attached proposed Proclamation will cover the cases of approximately 900 German nationals now interned in this country who were sent here from the other American republics and of approximately 1300 Japanese nationals who arrived here in the same manner. The Proclamation makes provision for exceptions in cases in which it is deemed that an individual is innocuous.

Arrangements have already been made for the accommodation of approximately 150 dangerous Germans of the categories referred to on the *N.Y.U. Victory* scheduled to sail from New York on September 8. As it is the feeling of the Department of Justice that there now exists no express authorization for the removal of these Germans, I bespeak your urgent consideration of this matter to the end that an order of removal over my signature may be issued prior to the date of sailing of the vessel.

JAMES F. BYRNES

711.62115/9-545

The Apostolic Delegate (Cicognani) to the Secretary of State

No. 217/42-9

WASHINGTON, September 5, 1945.

MY DEAR MR. SECRETARY: I beg your indulgence in permitting me to again approach you regarding a matter that is not exactly within the scope of this Delegation. However, I am directed by the Secretariat of State of Vatican City to present in the name of His Holiness, Pope Pius XII, an appeal in favor of a group of German internees in the United States, who have wives and children in Costa Rica. I understand that there are about fifteen such internees and that arrangements are being made for their return to Germany rather than to the country where their families reside and where they themselves lived for many years.

This appeal in the name of the Holy Father is advanced for motives of compassion growing out of a knowledge that women and children have suffered separation from their husbands and fathers for some years and that their sufferings will be lengthened if these internees are compelled to return to Germany.

The Holy See has not considered the reasons that necessitated the internment of these men but hopes that despite these reasons, in view of the circumstances mentioned above, the question of allowing these internees to return to Costa Rica can be given favorable consideration by the Government of the United States.

Again I ask your pardon for taking the liberty to present this appeal for I realize that I am not fully acquainted with the various factors involved.

With sentiments of esteem and every best wish, I remain

Sincerely yours,

A. G. CICOGNANI
Archbishop of Laodicea

711.62115/9-545

*Memorandum of Conversation, by the Chief of the Division of
Caribbean and Central American Affairs (Cochran)*

[WASHINGTON,] September 5, 1945.

Participants: Señor Jorge García Granados, Appointed Ambassador
of Guatemala

Señor Dr. Don Enrique López-Herrarte, Counselor of
Guatemalan Embassy

Mr. A. M. Warren (ARA)²⁴

Mr. William P. Cochran, Jr. (CCA)

The Guatemalan Ambassador called this afternoon to deliver a note dated September 5, 1945²⁵ enclosing a communication which his Government had addressed to the American Embassy in Guatemala with regard to the return to Germany of certain Axis sympathizers now interned in the United States.

(The note refers to the classified list²⁶ which was submitted to the Guatemalan Government and requests the return to Guatemala of five of the internees who were born in that country. However, the note states that Guatemala does not accept dual nationality and that if any of the men named shall allege to possess double nationality and there shall be presented duly authenticated proof of a desire to preserve their German nationality they would thereby lose their right to Guatemalan nationality and the Guatemalan Government would approve their deportation to Germany. The Guatemalan Government also asks exemption on humanitarian grounds for a second group—internees married to Guatemalan citizens or with Guatemalan children. However, the Guatemalan Government says that if there be proof that these persons have engaged in subversive activities, it requests that it be furnished with said proofs and that if it is satisfied, it will then agree to their deportation. As regards all other internees, whether classified by us as dangerous or not, the Guatemalan Government says that it will not permit their re-entry into Guatemala.)

²⁴ Avra Warren, Director of the Office of American Republic Affairs.

²⁵ Not printed.

²⁶ Not found in Department files.

Mr. Warren discussed this situation with the Ambassador on the basis of our policy and Resolution VII of Mexico City and said that similar problems had arisen in other countries where the Governments were under extreme pressure to permit the return of internees married to nationals. The Guatemalan Ambassador requested a copy of the list of Axis sympathizers interned in the United States as categorized by us, pointing out that while such a list had been presented to the Guatemalan Government, his Embassy had no copy. He also asked that we furnish him with the evidence of subversive activities available in the case of internees married to Guatemalans.

W. P. C[OCHRAN]

[On September 8, 1945, President Truman issued a proclamation which authorized the Secretary of State to order the removal from the United States to lands belonging to the enemy governments to which or to the principles of which they had adhered, all interned enemy aliens (1) who were not legal residents under the immigration laws or (2) who were sent from other American Republics, if their continued residence in the Western Hemisphere was deemed by the Secretary prejudicial to the future security or welfare of the Americas as prescribed in Resolution VII of the Inter-American Conference on Problems of War and Peace. The Department of Justice and all other appropriate agencies of the United States Government were directed to render assistance to the Secretary of State in the prompt effectuation of such orders of removal. For text, see Department of State *Bulletin*, September 9, 1945, page 361, or 59 Stat. (pt. 2), 880.]

710.62115/9-1445

The Chief of the Division of American Republics Analysis and Liaison (Dreier) to the Director of the Office of American Republic Affairs (Warren)

[WASHINGTON,] September 14, 1945.

The study of the German problem in the other American republics which was initiated by Mr. Lockwood²⁷ and Mr. Bosworth has not been completed because Mr. Bosworth was forced to return to the OIAA²⁸ and to Bogotá. Consequently we do not have an overall picture of this problem, which would be highly desirable in connection with immediate problems on the internees. However, there are some points which I believe should be recognized in regard to this problem on the basis of such information as we do have.

²⁷ John E. Lockwood, Deputy Director of the Office of American Republic Affairs.

²⁸ Office of Inter-American Affairs.

(1) You will recall we recommended that we approach the problem of repatriating Germans on a multilateral basis by asking the Committee for Political Defense²⁹ to draw up recommended criteria for determining which Germans should be allowed to remain in this hemisphere and which should be repatriated and prohibited from returning. This would have required our resumption of active participation in the Committee for Political Defense, which has not, however, proved possible for reasons with which you are fully familiar.

(2) Proceeding bilaterally on this matter, we have encountered the very difficulties we feared, with increasing pressure from other countries to return Germans, regardless of their dangerous character, who have friends or relatives in other American republics. The issue is a straight political one, particularly since the other countries do not challenge the basis of classification of the Germans, but merely request they be allowed to return. If we are going to refuse these requests, which have strong political backing, we have to do so on the grounds that the evidence against these individuals is strong enough to outweigh purely political considerations of the kind advanced. Moreover, we must be satisfied that the aliens are being treated in a manner consistent with the treatment being accorded by this Government to aliens interned domestically.

(3) On the score of the strength of our evidence, I believe there would prove to be, on detailed examination, at least some cases where the evidence would prove insufficient to overcome strong political pressure. Moreover, in regard to the methods employed in weighing such evidence, there is considerable divergence from the methods being employed by the Department of Justice, part of this divergence arising inevitably from the nature of the cases and part of it being due to different administrative practices such as the absence of an officially constituted board to act upon each case and, if necessary, to hold hearings.

(4) There is also a need to consider the long-range objectives and consequences of our immediate action. In the long run the activity and attitude of Germans in the other American republics will depend upon developments in Germany and the line of thought which would be exported from Germany to German groups abroad when communications are restored. Moreover, in the long run there will probably be renewed emigration from Germany to the other American republics. It is therefore idle to think that we will solve the problems of Germans in the other American republics by sending back to Germany the Germans we now have in our hands, unless a continuing program of

²⁹ Emergency Advisory Committee for Political Defense, with headquarters in Montevideo.

future controls is established. The indications are that this Government is not able to take such a course (as evidenced by our abandoning controls over commercial dealings with former Proclaimed List firms). Nor can we expect the other republics in peacetime to do even as much as the United States, particularly if we antagonize and embarrass the governments of those countries in regard to the immediate problem of repatriating internees.

(5) My general conclusion, therefore, is that we should concentrate our efforts in this repatriation project upon a more carefully selected group of Germans whose records show them to be symbols or genuine leaders of Nazi activity and against whom we have strong evidence. On these cases, we should put up a strong opposition to political appeals for their return, and inform other governments that we would give wide publicity to their appeals for the release of these Germans which would clearly contradict Resolution VII of Mexico City. The remaining Germans, including small fry and persons on whom we have weak evidence, should not be made the subject of a strong insistence on our part to their repatriation.

JOHN C. DREIER

711.62115/10-945

The Ecuadoran Ambassador (Galo Plaza) to the Secetary of State

[Translation]

No. 196

WASHINGTON, October 9, 1945.

MR. SECRETARY: In note of September 5, 1945³⁰ addressed to Your Excellency by this Embassy the Government of Ecuador formally requested of the Government of the United States the return to Ecuador from the United States of a group of Nationals of Axis countries who were brought from Ecuadoran territory where they were living to internment camps in the United States by virtue of an agreement between the Governments of Ecuador and the United States in order to prevent them from engaging in subversive activities against the security of the American republics.

The Government of Ecuador is very much interested in this matter inasmuch as it has considered that the sending of such persons to Europe would cause serious damage to Ecuadoran women, others the parents of Ecuadoran children, and some born on Ecuadoran territory, which in certain cases gives them the right properly to claim Ecuadoran nationality.

Subsequent to the sending of the above-mentioned note, my Government has carefully considered the conduct of this matter, which is

³⁰ Not printed.

causing anxiety to a large number of Ecuadoran families whose rights it is obligated to protect.

The Ecuadoran authorities have taken due note of the text of the Presidential Proclamation of September 8, 1945 by which Your Excellency was authorized to decide upon the fate of these aliens.

The international instruments involved in the Presidential Proclamation created a system of joint vigilance and collective effort of the American republics to preserve their integrity and independence and the integrity and solidarity of the American continent, a system of collaboration which in no way affects the sovereign right of each Government to make final disposition of aliens residing in its territory who for reasons of security have been provisionally transferred to other territorial jurisdictions in an emergency status for custody.

In consequence, my Government cherishes the certainty that Your Excellency, with your profound knowledge of the letter and spirit of the Inter-American obligations, before ordering the repatriation spoken of in the Presidential Proclamation will accede to what is requested by my Government with respect to the aliens claimed by Ecuador, since, if the State which permitted the internment does not voluntarily concur, sending these aliens to Europe would not be legal.

The Ecuadoran authorities have observed that the Department of Justice of the United States has decided that in cases of aliens who have not been prominent leaders of the Nazi Party, such factors as American nationality of the wife and children of the alien or his illness or advanced age will be considered as extenuating circumstances. In such cases the right of the alien is recognized to present himself before a special tribunal of the Department of Justice which could nullify the repatriation.

I have taken the liberty of calling to Your Excellency's attention this regulation in regard to aliens who marry women of the United States or are parents of American children as proof that the policy adopted by the Government of Ecuador, in the sense of deciding upon the return of those aliens who have identical family relationships in Ecuador, coincides with the humanitarian policy adopted by the United States for the protection of its own nationals. It would be an act of discrimination not in keeping with the spirit of Inter-American cooperation not to accord like treatment to citizens of the different countries seeking to defend inalienable family rights.

In accordance with the principles of justice and out of respect for the spirit of the Inter-American agreements the authorities of Ecuador are under the obligation of having the responsibility of these persecuted aliens duly clarified in their own national territory.

I also wish to recall to Your Excellency that some American republics did not cooperate to the extent of delivering aliens to internment camps in the United States and in consequence have disposed and continue to dispose at their own will, as is natural and legitimate, of the fate of such aliens. If Ecuador, like other countries of America, did carry her cooperation as far as to surrender residents of her territory to internment camps in the United States, it would be a lack of fairness not to accord her the final word in a matter in regard to which other countries have exercised their own discretion at all times. To apply different criteria to the various American republics would be an act of discrimination not in keeping with the united spirit in which the American republics have faced the problems of their security.

In submitting these remarks for Your Excellency's enlightened consideration, my Government herewith renews the formal request contained in the note of September 5, 1945 to which I have referred.

I avail myself [etc.]

GALO PLAZA

711.62115/11-245

*The Secretary of State to the Ambassador in Peru (Pawley)*³¹

No. 123

WASHINGTON, November 2, 1945.

The Secretary of State refers to the President's proclamation of September 8, 1945 in regard to the removal from this hemisphere of alien enemies sent to the United States for internment by other American Republics.

By a separate air mail instruction³² the Department is outlining the procedure now set up to consider alien enemies sent to the United States from the other American Republics who should be removed from this hemisphere in accordance with Resolution VII of the Chapultepec Conference. To insure a fair and thorough review of each case it is essential that there be prepared a complete case history on each individual, supported by all possible documentary evidence which, if necessary, could be used in court proceedings.

In complying with this instruction the Embassy should make the most painstaking efforts to obtain documentary evidence on each case. Where possible efforts should be made to obtain from local police and other officials, and from records of British missions, information to support alleged reports or statements that activities of these persons were such as to demonstrate their danger. Efforts should be made to

³¹ Sent, *mutatis mutandis*, to the diplomatic representative in the American Republics except Argentina, Brazil, Cuba, Mexico, Uruguay, and Venezuela.

³² *Infra*.

indicate the reliability of reports of membership in the Nazi Party or other Nazi organizations and of acts which could be considered as dangerous to the security of this hemisphere.

Accordingly, the Embassy should furnish as promptly as possible the following information in addition to that requested in the Department's circular telegram, September 21, 5 p. m.³³

a) In cases of persons born or naturalized in one of the American Republics, or born in countries other than Germany, Italy, Hungary, Rumania and Bulgaria, especial effort should be made to obtain photostat copies of alien registration certificates, if any, and other evidence of German or Axis citizenship or allegiance.

b) Any definite facts showing that these individuals owed primary allegiance to Germany or to other members of the Axis rather than to the country of residence.

c) All evidence that would tend to show that the continued residence in this hemisphere of any alien is dangerous to the future security of this hemisphere.

d) Basis of evidence on which local police considered any person sufficiently dangerous to cause his internment in the country of residence prior to deportation.

In transmitting this information reference should be made in so far as possible to previous communications on any particular individual.

Please furnish this information in the following order of priority:

1. The following whose return has been requested by Peru:
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2. The following against whom there appears to be little, if any, adverse information:
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3. The remainder of the alien enemies (including the Italians) from Peru now interned in the United States.

711.62115 AR/11-845

The Secretary of State to the Diplomatic Representative in the American Republics Except Argentina, Brazil, Cuba, Mexico, Uruguay, and Venezuela

WASHINGTON, November 8, 1945.

The Secretary of State refers to the President's Proclamation of September 8, 1945 entitled "Removal of Alien Enemies", copies of which have been transmitted to the mission.

³³ Not printed; it instructed the diplomatic representatives in Bolivia, Columbia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Nicaragua, Panama, and Peru to obtain promptly from the files of the former German Consulates and Legations in the countries to which they were accredited photostatic copies of all information regarding Germans from those countries interned in the United States and awaiting deportation to Germany (711.62115/9-2145).

In view of the authority vested in the Secretary of State by this Proclamation there has been set up within the Department an Alien Enemy Control Section. A copy of Departmental Order No. 1352 of October 24, 1945 describing the functions of the Section is enclosed.³⁴

In any further discussions with foreign officials the Officer in Charge is authorized in his discretion to state that while there has been no change in this Government's policy and desire fully to implement Resolution VII of the Chapultepec Conference it is considered desirable to give the most careful consideration to each individual case and to consult fully with the American republic concerned before any action is taken in regard to the removal from this hemisphere of alien enemies from the other American republics. Under the procedure which is being set up for handling these cases, no order for the removal of any alien will be issued without an opportunity to be heard being given him.

Upon the establishment of standards and the completion of an administrative review of each case the missions concerned will be furnished with the Department's findings and will be advised concerning the manner in which to approach the local authorities in regard to those cases which are the subject of discussion.

There is also enclosed for the information of the Officer in Charge a copy of the Department's press release no. 826 of November 2, 1945 on the subject.³⁵

711.62115 AR/11-1745: Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 17, 1945—6 p. m.

[Received 11:05 p. m.]

714. Final paragraph of memorandum of conversation dated November 7³⁶ between Cochran CCA and Nicaraguan Chargé Sevilla³⁷ refers to question of German internees in US sent from Nicaragua and other American Republics.

Embassy appreciates idea of justice behind setting up of new unit in Department specifically to review cases of German internees. It most respectfully points out, however, that the net result of this action will be to do (a) injustice to Nicaraguan and American officials who during the war conscientiously endeavored to find out who were our German enemies (b) injustice to hemispheric solidarity and defense in the Americas (c) injustice to Nicaraguan-American relations and especially (d) injustice to the Nicaraguan and American peoples.

³⁴ Department of State *Bulletin*, November 4, 1945, p. 738.

³⁵ *Ibid.*, p. 737.

³⁶ Not found in Department files.

³⁷ Alberto Sevilla Sacasa.

These Germans were picked up and deported on insistence from Washington. Deportation was made with approval and active assistance of Nicaraguan Government (our officers acting at that time were thinking of imminent peril to us). They took no one whom Nicaraguan public opinion did not brand as Nazi. Nazi activities were such that Nazi nationals were short in documentation and long on precaution. Certainly every German move was based on the Nazi scheme of subversion. When Department in 1945 instructs Foreign Service in the sense of its instruction 110, November 2,³⁸ it is being as unrealistic as we were before Pearl Harbor. It does not make sense to call on our Foreign Service in November 1945 to document German cases arising in 1941 and 1942. A document is a piece of paper that has value because it conveys information about human activities or interests. Sixty million Germans have written the pages of World War II's history. German internees from Nicaragua made clear to their neighbors that they stood square with that history as the Fatherland wrote it. That is the document and it bears the authentication of the civilized world.

If Department insists upon additional documentation, it may as well give up attempt to prevent resurgence of Pan-Germanism in American Republics. All cases have been reviewed repeatedly. It is not just or proper to review them again solely in light of paper evidence obtainable in 1945. Had we wanted formal documentation we should have requested it in 1941 and 1942. Had we done so it would not even then have been generally available. Had we insisted on its being obtained, we would probably have lost the war.

Referring specifically to Nicaragua, Government here has been trying to stand pat on deportation of persons who are generally conceived to be pro-Nazi. I am afraid that we shall shilly-shally until sufficient pressure can be brought on Nicaragua to force officials to ask for the return here of these internees. This return will mean reestablishment of preponderant German influence in Nicaragua. In other words, we are asking Nicaragua, the other American Republics and the people of US to run again the risk of the resurgence of German peril in order to pay transitory obeisance to formal documentation. We can be sure that not justice but injustice is about to be done.

WARREN

³⁸ The same, *mutatis mutandis*, as instruction 123, November 2, to Lima, p. 287.

711.62115 AR/11-645

*Department of State Policy Concerning the Repatriation of German Enemy Aliens*STATEMENT OF POLICY³⁹

Resolution VII of the Final Act of the Inter-American Conference on Problems of War and Peace (February–March 1945) included a recommendation that measures be taken “to prevent any person whose deportation was deemed necessary for reasons of security of the Continent from further residing in this Hemisphere, if such residence would be prejudicial to the future security or welfare of the Americas.” On September 8, 1945 the President of the United States prescribed and proclaimed the following “regulations affecting the restraint and removal of alien enemies”:

All alien enemies now within the continental limits of the United States (1) who were sent here from other American republics for restraint and repatriation pursuant to international commitments of the United States Government and for the security of the United States and its associated powers and (2) who are within the territory of the United States without admission under the immigration laws are, if their continued residence in the Western Hemisphere is deemed by the Secretary of State prejudicial to the future security or welfare of the Americas as prescribed in Resolution VII of the Inter-American Conference on Problems of War and Peace, subject upon the order of the Secretary of State to removal to destinations outside the limits of the Western Hemisphere in territory of the enemy governments to which or to the principles of which they have adhered. The Department of Justice and all other appropriate agencies of the United States Government are directed to render assistance to the Secretary of State in the prompt effectuation of such orders of removal.

It is the policy of the Department of State in general to order removals as authorized by the President. The following paragraphs set forth the standards which will be applied, in the cases involving German nationals, in determining whether continued residence in the Western Hemisphere would be “prejudicial to the future security or welfare of the Americas.”

1. For the sake of convenience, the German nationals whose continued residence may be found prejudicial will be divided into two classes, Class A and Class B.

2. Class A is to include any German national who, in the Western Hemisphere or elsewhere, has at any time

³⁹ This statement was drafted by Mr. Jonathan B. Bingham, Director of the Alien Enemy Control Section, on November 6 and approved by Secretary Byrnes on or about November 19, 1945, on the strong recommendations of Mr. Dreier and Mr. Braden (711.62115 AR/11-645).

(a) engaged in espionage or sabotage on behalf of Nazi Germany or any of its allies or satellites, or has in any way deliberately furthered such activity, or

(b) taken a leading part in the training, organization or activities of (1) the Nazi Party or any of its affiliates, (2) any military, political, or economic group acting in the interest of Nazi Germany or any of its allies or satellites, or (3) any organization or group engaged in the systematic dissemination of propaganda designed or tending to further the military, political, or economic objectives of Nazi Germany or any of its allies or satellites or to promote sympathy with one of those states or with Nazi political ideology in general, or

(c) expressed or otherwise evidenced the intention to engage in activities such as those described in (a) and (b) above.

The continued residence in the Western Hemisphere of any person in Class A shall be deemed prejudicial to the future security and welfare of the Americas.

3. Class B is to include any German national who, in the Western Hemisphere or elsewhere, has at any time

(a) been a member of or actively associated with any of the organizations mentioned in paragraph 2(b), or

(b) disseminated or helped to disseminate propaganda designed or tending to further the military, political, or economic objectives of Nazi Germany or any of its allies or satellites or to promote sympathy with one of those states or with Nazi political ideology in general, or

(c) expressed or otherwise evidenced the intention to engage in activities such as those described in (a) and (b) above.

The continued residence in the Western Hemisphere of any person in Class B shall be deemed prejudicial to the future security and welfare of the Americas, unless:

(1) in engaging in such activities as those described above the person acted against his will and because he was subjected to severe pressure, or

(2) prior to December 7, 1941 the person definitely dissociated himself from any activities such as those described in (a) or (b) above and became openly and sincerely hostile to the Nazi regime in Germany, or

(3) there are positive circumstances present which make it unlikely that the person if allowed to remain in this Hemisphere would again engage in any activities such as those described in (a) or (b) above, or

(4) the person has at any time since December 7, 1941 served honorably in the Armed Forces of the United States or any of its allies, or

(5) the person had before arriving in the United States, and still has, a wife or child who is a citizen of an American republic, or

(6) the person is in such a precarious state of health that repatriation to Germany would constitute a real danger to his life, or other circumstances are present which would make repatriation an undue hardship.

711.62115 AR/11-1745 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 23, 1945.

A-328. Urtel 714, Nov. 17, 6 p. m. The Department is fully aware of the difficulty of obtaining documentary evidence to prove the citizenship and Nazi activities of Germans brought here from Nicaragua for internment during the course of the war. The same difficulty, of course, exists with respect to those brought from other American republics. However, the Department wishes to have all possible documentary evidence furnished for the following reasons:

a. The entire program of repatriating German nationals from this country, including those resident here as well as those brought from the other American republics, faces a number of legal difficulties. Documentary evidence will be needed to satisfy the courts of the United States that the State Department is not engaged in a program beyond the constitutional and statutory powers of the Government. This is particularly true in the case of those internees who can claim that they are not German or Axis citizens. Hence the specific requests made in instruction no. 110⁴⁰ under sub-paragraphs (a) and (b).

b. During the course of actual hostilities it may well have been necessary to round up and intern Germans and other Axis nationals on the basis of reputation and similar hearsay evidence. However, the Department feels that stricter standards of evidence must be applied in determining whether such persons should be removed from this hemisphere and consequently, in many cases, permanently separated from their families.

c. Without making reference to any cases from Nicaragua, it has already become clear that there were some cases in which entirely harmless persons and persons with definite anti-Nazi inclinations were sent to this country for internment from other American republics. While it was perhaps inevitable that such mistakes should have occurred in a program of this size during the course of hostilities, they must not be perpetuated.

With respect to the possibilities of obtaining documentary evidence, it is believed that they are greater now than in 1941-42. Many new sources, notably official German archives, are now for the first time available, both in the American republics and in Germany.

⁴⁰ See similar instruction 123 November 2, to Lima, p. 287.

As stated in the Department's press release of November 2 (see Radio Bulletin No. 262),⁴¹ it is the policy of the Department to pursue the objective stated in Resolution VII of the Mexico City Conference and to pursue it in close cooperation with the other American republics. The Department has not for a moment lost sight of the absolute necessity for preventing the resurgence of Nazi influence in this hemisphere. For your information, it is felt that the most effective way to achieve this end will be for the Inter-American Emergency Advisory Committee for Political Defense, acting pursuant to paragraph 4 of Resolution VII, to recommend a common specific program to all the American republics. It is hoped that that may shortly be done. In order for such a program to be accepted, however, it will obviously have to concentrate upon the exclusion from the hemisphere of the particularly dangerous Axis elements, especially those who were leaders and key figures in the Nazi movement, and not attempt to make a complete sweep of all who had some connections with the Nazis or were by reputation sympathetic to them. This is in general what the Department of Justice is doing with respect to the Germans who were resident here. From the point of view of fairness as well as of what is practical, we cannot urge the other American republics to do more.

BYRNES

711.62115 AR/12-345

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

WASHINGTON, December 3, 1945.

SIRS: Reference is made to the Department's circular instruction of November 8, 1945 in regard to the establishment of the Alien Enemy Control Section and the procedure to be followed in determining the disposition of alien enemies from the other American republics now interned in the United States. The process of releasing certain alien enemies from internment has now begun, the first group consisting of four persons from Costa Rica and one from El Salvador. For its own information and in order properly to deal with questions which may arise, the Embassy should know what is going on and why.

The immediate cause of the release of three of the persons mentioned was that they had filed habeas corpus petitions alleging that they were not German natives or citizens and that therefore this Government had no power to hold them. Examination of their files disclosed

⁴¹ Release on Departmental Order No. 1352 entitled "Establishment and Functions of the Alien Enemy Control Section," Department of State *Bulletin*, November 4, 1945, p. 738.

that there was in fact insufficient evidence that they were German citizens to warrant their further detention under the Alien Enemy Act,⁴² which constitutes the legal basis for the entire internment and repatriation program. A number of other habeas corpus cases are pending, and it may well be that in the course of the next few weeks several of the internees will be released on the ground that they are not natives or citizens of an enemy country. The Department does not, however, propose to release any person on this ground where German citizenship can be proved by Nazi Party membership or Nazi activity.

An issue with broader implications for the program as a whole is presented by the other two cases, where the internees released are admittedly German citizens. These persons were released in accordance with standards drawn up by the Alien Enemy Control Section and approved by the Assistant Secretary for American Republics Affairs and by the Secretary. These standards are to be used for the purpose of determining whether particular German aliens should be considered dangerous to the future security of the hemisphere and hence repatriated to Germany or whether they could be released and allowed to return to the countries from which they came. They are embodied in a "Statement of Policy" which is enclosed for your information⁴³ and which must be kept highly confidential, at least for the time being.

The general theory of the standards is simple: the key figures in the Nazi network should be repatriated, without regard to mitigating circumstances or hardship factors such as family ties. In the case of active, but less important Nazis, mitigating circumstances or hardship factors will be considered. Implicit in the standards is the principle that the Department will not press for the repatriation of those who have been simply "pro-Nazi" or "pro-German" without doing anything about it.

The Embassy will recognize that these standards reflect a distinct shift in policy since August, when it was proposed to effect the repatriation of all but a handful of those Germans and Italians who had been deported to this country. Some of the Missions have expressed strong views in favor of such a sweeping program, and they are entitled to know the explanation for its modification.

The most important factor in this shift was the decision that this Government could not repatriate alien enemies brought from the other American republics without the full consent and cooperation of the countries from which they came, because:

(a) To do so would be detrimental to our relations with the other American republics, especially since some of them believe that they

⁴² Alien Registration Act, June 28, 1940, 54 Stat. 670.

⁴³ *Ante*, p. 291.

never relinquished jurisdiction over the persons sent here for internment;

(b) The Alien Enemy Act which gives the President power to intern and remove alien enemies in time of war seems clearly to require that the alien be given an opportunity to "depart" from the country before he can be "removed," which would mean that if he were able to obtain a visa to the country from which he came (or to any other country) he would be able to escape removal to Germany.

Having arrived at the decision that full cooperation from the other American republics was necessary, it became clear that this Government could not press for a more ruthless repatriation program in the case of alien enemies brought from Latin America than it was following with respect to alien enemies who had been resident in this country. Accordingly, the standards set up were patterned after those followed by the Department of Justice in selecting enemy aliens resident here for repatriation (it is anticipated that some 400 persons, not including families, will be repatriated under the Justice Department's program).

Some of the Embassies may feel that, in those instances where American republics had consented to the earlier broad proposal for repatriation, the Department should have quickly taken advantage of that consent and effected the repatriation. However, the Department felt that it could not do so because: (1) the legal authority of the Government to carry out involuntary repatriation had been challenged in the courts and (2) since those countries who objected strenuously to the proposal were in a position to make their opposition effective, it was feared that those who had consented would later feel that they had been imposed upon.

The plan now is to review all the evidence on the individual cases and to prepare lists of those who appear to fall within the standards for repatriation and those who do not. Those lists will then be presented to the Governments concerned, possibly together with a brief summary of the facts in each case, and every effort will be made to persuade them to let this Government proceed with steps looking toward repatriation (those steps to include an informal hearing in each case where requested by the individual, final review by an Assistant Secretary, and the issuance of a removal order). In addition to obtaining the other American republics' consent to our procedure, it will be necessary to persuade them to refuse visas to the persons concerned. It is hoped that this program may be buttressed by the issuance of a resolution by the Inter-American Emergency Committee for Political Defense outlining ways and means for implementing Resolution VII of the Final Act of Mexico City.

In general, it will be the policy of the Department not to release individuals until all the cases from a particular country have been

reviewed. However, as has already happened in a few cases, particular circumstances may decree otherwise. Individual releases are especially to be anticipated in those cases where the individual does not appear to be a native or citizen of an enemy country.

It should be emphasized that the Department's present policy with respect to the disposition of the alien enemies interned here does not in any sense constitute a repudiation of the policy followed in intern- ing them in this country. It seems entirely appropriate that the standards applied in determining whether to intern an alien enemy during the course of hostilities should be broader than those applied in determining whether permanently to bar a man from the hemi- sphere, especially if he has an American wife or child. Moreover, it should be made clear to the Governments and peoples of the other American republics that the release of an alien enemy from intern- ment is not a "whitewash". The fact that he is released in no way constitutes an admission that he should not have been interned, nor does it mean that he is not regarded as a Nazi; at most it means that he is not considered sufficiently dangerous to exclude from the hemi- sphere, and it may mean only that he does not appear to be a native or citizen of an enemy country (in such a case, it may well be desirable to urge the country to which he is returned to deport him to Germany under its laws). Cases may arise where a person being released re- mains on the "hard core" Proclaimed List.⁴⁴ If questions are raised about such cases, it should be emphasized that different standards are applicable, and that a man's release from internment does not mean that his name ought to be deleted from the Proclaimed List.

The situation may fairly be summarized as follows: the Depart- ment has not in any way modified its view that Resolution VII of the Mexico City Conference must be implemented to the fullest pos- sible extent, both with respect to the alien enemies now in this country and those in other American republics; however, in view of the various political and legal difficulties which have arisen, the Department has come to the conclusion that greater success will be achieved by concen- trating on the repatriation of the most dangerous people than by seeking to accomplish wholesale repatriations with the attendant risk of total failure.

While Argentina, Brazil, Cuba, Mexico, Uruguay and Venezuela did not deport alien enemies for internment in the United States, it is believed that this instruction will serve a useful purpose as back- ground material for the missions in those countries particularly in connection with Resolution VII of the Final Act of Mexico City.

Very truly yours,

For the Secretary of State:

SFRUILLE BRADEN

⁴⁴ See vol. II, pp. 827 ff; see also sections under individual countries regarding Axis penetration.

711.62115 AR/12-1345

*Memorandum by Mr. Jonathan B. Bingham, Assistant to the Assistant Secretary of State (Braden)*⁴⁵

[WASHINGTON,] December 13, 1945.

Attached is a memorandum⁴⁶ which attempts to review the nature of our understandings with Peru on the eventual disposition of the alien enemies deported from Peru to the United States. In general, my conclusions can be summarized as follows:

1. There was never any clear understanding as to the eventual disposition of the aliens after the war, primarily because at the time they were deported from Peru no one was thinking about the post-war period.

2. The United States never made any commitments in writing or—so far as appears from the file—orally that the aliens would be returned to Peru upon Peru's request after the war.

3. At all times the Peruvians were obviously of the opinion that the aliens were theirs to control, at least to the extent that we could not do anything with the aliens without Peru's consent. The United States never contradicted this view, and on various occasions appeared to acquiesce in it.

4. The Peruvians could properly assert that, from early 1944 on, it was their understanding that the aliens were being held in this country only for the purpose of internment during the war, and that certain persons in whom Peru had a particular interest would not at any time be repatriated to Germany (or Japan) against their wishes. (The United States did not expressly confirm this understanding but it did not seek to correct it.)

Although it is the policy toward Peru which is immediately under review, I should like to point out the following:

a. The situation outlined above is not peculiar to Peru. Approximately the same points could be made with regard to all the countries who sent alien enemies here for internment. The Ecuadoran Government, like Peru, has already taken the position that the aliens deported by it are still under its "jurisdiction", and has formally stated that it was its understanding that the aliens were sent here only for internment during the course of hostilities and would be returned to it after the war. (A deposition to this effect was made yesterday by Minister-Counselor Ponce, for use in the first habeas corpus case to come up in New York. Representatives of the Department of Justice have expressed considerable concern about the effect of this testimony on the eventual decision of the court as to whether the alien is subject to the Alien Enemy Act.)

b. This general situation has been recognized in all the recommendations I have made. I have never proposed that the Peruvian requests, or those from any other country, should be rejected, or that we should

⁴⁵ Addressed to Mr. Braden and to Under Secretary of State Acheson.

⁴⁶ Not printed.

undertake to argue about what was understood by the various countries. I have merely proposed in effect that we should make one more effort to have the requests withdrawn as to those individuals who seem to us particularly bad. Ambassador Pawley has stated that such a move would be fruitless in Peru and Ambassador Scotten has made a similar statement with respect to Ecuador. I am not in a position to contradict them. However, I believe that by following this policy with all countries involved we could succeed in effecting the repatriation of a number of the bad cases from some countries, especially in Central America. On the other hand, if the decision is made that we should automatically and without further argument accede to the request of any country for the return of individuals deported from that country, I believe we would in the end get very few persons back to Germany.

c. In case it is decided that we should take one more crack at trying to persuade the Peruvians and Ecuadorans to cooperate in effecting the repatriation of those who can be shown to be clearly dangerous, my Section could complete the necessary case reviews for these two countries by the end of next week.

d. If it is decided to accede to Peru's request without further argument, I believe we should insist that Peru also take back all the Japanese sent here from Peru. In its memorandum⁴⁷ Peru states that it is willing to have us repatriate the Japanese to Japan on the ground that they are all "indigent." Obviously we are not interested in a program of repatriating "indigents" to Japan and we could properly tell Peru that. Furthermore, unless we can get Peru to take the Japanese back, we shall be forced to repatriate all of them to Japan, since we have no information which would enable us to make a case-by-case review. In the very great majority of the cases, the Japanese were sent here only on the say-so of the Peruvian Government.

J. B. B[INGHAM]

711.62115 AR/12-2645

The Acting Secretary of State to the Chargé in Peru (Trueblood)

No. 188

WASHINGTON, December 26, 1945.

SIR: You are requested to transmit a copy of the enclosed memorandum⁴⁸ to the Foreign Office with a brief covering communication referring to the Peruvian memorandum of November 20, 1945.⁴⁹ You

⁴⁷ Not printed.

⁴⁸ This memorandum was sent to 12 American Republics: Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, and Peru, which deported alien enemies to the United States for security reasons. In effect the memorandum asked each republic to decide whether it wished to have all the aliens it sent here returned to it for ultimate disposition of its cases, or whether it wished to have the United States continue to exercise primary responsibility in deciding which of the aliens were so dangerous as to make deportation from the hemisphere essential, and in taking action accordingly. For text of memorandum, released to the press January 3, 1946, see Department of State *Bulletin*, January 6 and 13, 1946, p. 33.

⁴⁹ Not printed.

will note that the Department plans to release the enclosed memorandum to the press on or shortly after January 1, 1946. You are requested to telegraph report of transmittal.

It is suggested that you call the attention of the Foreign Office, either orally or in your covering communication, to the following points in connection with the enclosed memorandum:

a. The memorandum discloses that the United States Government is in effect willing to accede to the position taken by the Peruvian Government that it deported the aliens to the United States as a temporary measure only, that they remained at all times under the protection of the Peruvian laws, and that they should now be returned to Peru. The United States Government is, however, willing to accede to Peru's position in that respect only if it is uniformly applicable to all the aliens deported from Peru. Accordingly, the United States Government believes that no distinction can be made between those persons referred to in the various sub-paragraphs of paragraph 5 in the Peruvian memorandum.

b. As stated in the enclosed memorandum, "The United States Government will if desired collaborate in matters concerning the ultimate disposition of individual cases". This is applicable to enemy nationals now in Peru, as well as to those who may be returned to it. At this time, the United States Government cannot give any more definite assurance to the Peruvian Government with respect to the request made by the Peruvian Government in paragraph 6 of its memorandum.⁵⁰

For your information, the other two Governments who, like Peru, have asserted their "jurisdiction" in the matter are Ecuador and El Salvador.⁵¹ Since it was decided that the only course open was to accede to the wishes of these three countries, it seemed clear that the same opportunity would have to be offered to the other governments concerned. They would in any event shortly find out about our action toward the three and demand similar treatment, and it seemed far preferable to be frank with them from the start.

While the Department regrets that Peru, Ecuador and El Salvador have seen fit to insist on the return of the aliens they had deported, acceding to their wishes does not represent an abandonment of the repatriation program. A determined and sustained effort will be made to see to it that Peru, Ecuador and El Salvador, and any others who may follow suit, carry out their promises to take action pursuant to Resolution VII of the Final Act of Mexico City.

Very truly yours,

For the Acting Secretary of State:
E. O. BRIGGS

⁵⁰ Request for U.S. Government aid in the repatriation of all Japanese then residing in Peru.

⁵¹ The assertions made orally by Ambassador Castro of El Salvador on October 24 were formalized in a note dated December 5, 1945, addressed to the Secretary of State (711.62115 AR/12-545).

711.62115 AR/12-2645

*The Acting Secretary of State to the Ambassador in Ecuador
(Scotten)*⁵²

No. 1362

WASHINGTON, December 26, 1945.

SIR: Enclosed is a copy of a memorandum⁵³ which will be transmitted in the near future to the Ecuadoran Embassy in Washington with a covering communication referring to that Embassy's recent notes on the subject.

For your information, the three Governments which made the requests referred to in the memorandum were Peru, Ecuador, and El Salvador. The Department was advised that our position in the matter was creating so much ill will for the United States, particularly in Peru, as seriously to jeopardize the Good Neighbor Policy and that further argument would be fruitless. Since the United States Government could not legally effect deportations without the consent of these countries (and was in addition committed not to do so), it seemed that the only course open was to accede to the wishes of Peru, Ecuador and El Salvador. Since that was to be done, it was clear that the same opportunity would have to be offered to the other Governments concerned. They would in any event shortly find out about our action toward the three and would demand similar treatment, and it seemed far preferable to be frank with them from the start.

While the Department regrets that Peru, Ecuador and El Salvador have seen fit to insist on the return of the aliens they had deported, acceding to their wishes does not represent an abandonment of the repatriation program. A determined and sustained effort will be made to see to it that Peru, Ecuador and El Salvador, and any others who may follow suit, carry out their promises to take action pursuant to Resolution VII of the Final Act of Mexico City.

Very truly yours,

For the Acting Secretary of State:
E. O. BRIGGS

⁵² Sent, *mutatis mutandis*, December 26, to the Republics listed in footnote 48, p. 299, excluding Peru, and to Chile and Paraguay without the memorandum enclosed in the instructions to the other 12 Republics.

⁵³ See footnote 48, p. 299.

CONCERN OF THE UNITED STATES REGARDING THE
ELIMINATION OF AXIS INTERESTS IN CERTAIN
CARIBBEAN COUNTRIES ¹

740.39112A/1-1545

*The Chargé in the Dominican Republic (Newbegin) to the Secretary
of State*

No. 654

CIUDAD TRUJILLO, January 15, 1945.

[Received January 22.]

SIR: I have the honor to refer to the Department's circular telegram of September 20, 1944, 5 p. m.² regarding the Proclaimed List ³ policy. In this telegram the Department outlined the general program of the American and British Governments for the continuation of the proclaimed and statutory lists ⁴ after the termination of the war, explained a proposal for inducing foreign governments to eliminate spearhead Axis firms, and requested a list of those firms whose names should remain on the Proclaimed List during the post-war period.

Due to the peculiar situation existing in the Dominican Republic it is believed that it would be desirable for the American Government to pursue its policy of liquidating the Proclaimed List independent of the Dominican Government. One reason for this recommendation is that in the opinion of this Embassy and of the British Legation there are no Axis spearhead firms operating in this Republic. Another reason is that while the Dominican Government has never interfered with the operations of the Proclaimed List, and has even cooperated to a certain extent in its enforcement, it is unlikely that that Government is sufficiently concerned about any of the firms or individuals whose names appear in the Proclaimed List to care whether or not they are removed, and, therefore, no basis exists for a *quid pro quo* bargaining with the Dominican Government.

¹ For application of this subject to the South American Republics, see the various compilations on the concern of the United States regarding Axis penetration of those countries. For additional documentation on Proclaimed List problems, see vol. II, pp. 827 ff.

² *Foreign Relations*, 1944, vol. VII, p. 530.

³ The Proclaimed List of Certain Blocked Nationals, authorized by Presidential Proclamation of July 17, 1941. For text of Proclamation, see 55 Stat. (pt. 2) 1657 or Department of State *Bulletin*, July 19, 1941, p. 42. For statements concerning the development of the List, see *Foreign Relations*, 1941, vol. VI, pp. 268 ff. and *ibid.*, 1942, vol. V, pp. 280 ff.

⁴ The British Statutory List was almost identical to the Proclaimed List. For a comparative description of the two lists, see telegram 819, April 8, to Moscow, vol. II, p. 835.

It is recommended that the names which appear in the Proclaimed List for the Dominican Republic may be deleted from that list in the order in which they are shown below. These names have been divided into two groups. The first of which is comprised of two enterprises which have been closed and six individuals who are believed to be in no way dangerous to the Allied war effort and whose removal would not affect the prestige of the Allied Governments. It is recommended that the names appearing in this first group be removed at an early date. The second group is composed of German interests and of Italian interests whose owners have been particularly objectionable politically in the past. It is believed that the names contained in this second group should be left on the Proclaimed List until the termination of the war in Europe, at which time they could all be safely removed. The majority of the Germans whose names appear in the list have been deported, but it is recommended that no changes be made in their listing until the end of the war because it is possible that they hold property in the Dominican Republic which has not come to the attention of this Embassy. The British Legation has expressed its concurrence in these recommendations. As previously stated, there appear to be no spearhead firms in this area whose listing should be continued after the war.

[Here follows a list of persons and interests divided into the two groups described above.]

Respectfully yours,

ROBERT NEWBEGIN

740.17112A/2-1645

The Chargé in Nicaragua (Finley) to the Secretary of State

No. 2900

MANAGUA, February 16, 1945.

[Received February 23.]

SIR: I have the honor to refer to the Department's confidential instruction no. 1498 of February 6, 1945,⁵ setting forth the three criteria now warranting retention of names on the Confidential List and transmitting twenty-two names proposed for retention on the List for Nicaragua as being those of cloaks for proclaimed firms. Of the three criteria only the first has any application here since there are no specially blocked nationals in Nicaragua and no goods are shipped from this country to the Argentine. As the present policy is to restrict use of the Confidential List to its original function of preventing goods from reaching Proclaimed List nationals, it is pertinent to point out that only a few proclaimed firms remain in business in Nicaragua

⁵ Not printed, but for similar instruction sent *mutatis mutandis* to the diplomatic representatives in the other American Republics, see instruction 6464 to Buenos Aires, February 2, p. 442.

and that in the exercise of its powers first as interventor and later as administrator, the National Bank of Nicaragua has refused to use moneys of such firms and persons for restocking. This policy has resulted in almost complete liquidation of all but a few proclaimed firms and even these have no temptation to procure additional stocks as the retail sale proceeds are frozen, and a forced auction sale, of all their goods with investment of the proceeds in frozen bonds is in prospect under Decree no. 276. I am of opinion nonetheless that retention of some Nicaraguan names on the Confidential List serves a useful purpose as a proclaimed individual may devote funds which have escaped Bank control to the operation of a new business conducted in the name of a cloak.

In respect of the names proposed for deletion I call the Department's attention to details concerning the following:

[Here follows information on individual cases.]

Respectfully yours,

HAROLD D. FINLEY

740.18112A/3-1645

Memorandum by the Junior Economic Analyst in Costa Rica (Heck)

In accordance with instructions received from the Department, the Embassy at San José has been reviewing the Proclaimed List with a view to the categorization of the names contained therein in order to permit an orderly deletion policy.

It was decided at the outset that a group of some 30 or 40 names comprising firms which are no longer in existence could be recommended for immediate deletion. A second category containing names primarily of Costa Ricans who had engaged in casual cloaking activities and who, it is felt, have been sufficiently punished will also be recommended for early deletion. A third group the principal part of which is Italians whose activities are no longer deemed detrimental will also be recommended for early deletion.

The remaining names were carefully screened in order to determine those if any which should be retained on the List for an indefinite period. That such a List will be necessary arises out of the structure and nature of Costa Rican control measures. The basic control law has as one of its essential features that inclusion in the Proclaimed List shall constitute grounds for control by the Office of the Alien Property Custodian.⁶ Another example of the use of the Proclaimed List and the dependence of the Costa Rican Government upon it is to be found in the recent revision of the citizenship and naturalization law in which inclusion in the Proclaimed List was specifically men-

⁶ Costa Rica's Junta de Custodia de la Propiedad Enemiga.

tioned as one of the grounds upon which naturalization could be canceled. Still another factor and probably the most important is the fact that a small but powerful group of listed individuals have assets presently invested in expropriation certificates. It is feared that in the event that these persons were to be deleted bases would be furnished to permit suits against the Costa Rican Government for recovery of funds invested in the certificates. In view of the present precarious financial position of the government,⁷ it is deemed highly undesirable to place them in a position which could cause them financial and perhaps even political embarrassment.

As a result of the final screening of the List, a group of some 30 or 40 names of prominent individuals and firms were tentatively selected for inclusion in the category of those names to remain on the List for an indefinite period. Consultations are now taking place with the Costa Rican Government and the British Legation with respect to this List and it is hoped that the Government will be able to furnish an answer to the Embassy within a short period of time.

A further factor involved has been that the constitutionality of the whole expropriation procedure has been contested in the local courts particularly by the Niehaus⁸ interests although other important groups have also filed suits and while to date the courts have ruled in favor of the government it is possible that at a future date less favorable action might be forthcoming.

VICTOR C. HECK

MARCH 16, 1945.

800.515/3-2945: Airgram

The Secretary of State to the Ambassador in Costa Rica (Johnson)

WASHINGTON, April 2, 1945.

A-216. It is not possible to reach a final conclusion concerning the desirability of the proposed legislation referred to in your 187, March 29,⁹ without reviewing the text of such legislation.

It may be stated, however, that the Department's policy is to encourage the permanent elimination in this Hemisphere of the hard core of Axis influence through expropriation, liquidation and forced sale procedures. This includes both rural and urban properties.

The permanent elimination of dangerous, pro-Axis firms and individuals is an important part of our economic warfare program in

⁷ See pp. 885 ff.

⁸ Guillermo Niehaus and Company.

⁹ Not printed; in this telegram the Ambassador reported an informal inquiry from the Costa Rican Minister of Finance, Alvaro Bonilla Lara, as to the Embassy's views on proposed legislation providing for more drastic action regarding German properties in Costa Rica (800.515/3-2945).

Latin America, and the Costa Ricans should be encouraged to adopt all measures necessary to accomplish the desired end. The following comments may, however, be made in this connection.

Whether a firm or individual is, in point of fact, a part of this hard core of Axis influence should be judged on a case to case basis in the light of the information available. This principle of the application of wartime controls on a selective, rather than a nationality, basis is clearly stated in the Resolutions of the Washington Conference which were recently reaffirmed in Resolution XVIII of the Mexico City Conference.¹⁰

The Department understands that four firms have already been subjected to expropriation. The Embassy is requested to report the names of any additional firms and individuals which are deemed by it to be sufficiently dangerous to the future security of the Hemisphere to warrant expropriation. In this connection, it may be stated that it has been the practice to submit to the other American Republics for their consideration lists of enterprises considered by this Government to be deserving of expropriation. Possibly it will be desirable to follow this procedure in the case of Costa Rica.

In view of the possibility that the real motive for the proposed expropriation program may be the desire to obtain funds, the question is presented whether the Department should encourage the extension of the nationalization program to those firms and individuals, which, in the Embassy's opinion, are relatively innocuous, but which the Costa Ricans may regard as dangerous. Since opinions may differ concerning the relative merits of a case the Department may not be in a position to oppose directly an extension of the expropriation program to persons who have been included in our Proclaimed List although some persons on the List admittedly cannot be classified as a spearhead of economic penetration or as part of the nucleus of German influence. The extension of an expropriation program to all persons of German and Italian nationality regardless of their sympathies and activities would seem to be undesirable, particularly in the case of Italians who, as a rule, do not constitute so much of a menace as the Germans.

It should also be stated that it is desired to avoid, to the fullest extent possible, the onus for the expropriation of properties of relatively innocuous firms and individuals under the guise of economic warfare, but for the real purpose of increasing the revenue. Furthermore, if it is proposed to base an expropriation program on the Proclaimed List, this Government must continue to reserve the right to

¹⁰ For text of Resolution XVIII, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 55.

control, after consultation with the Costa Rican Government, what names should be added to or deleted from the List.

Please endeavor to obtain the text of the proposed legislation and in the interim you may wish discreetly to inform the appropriate authorities in a very general way concerning the Department's views regarding this question.

STETTINIUS

740.17112A/5-1845

The Ambassador in Nicaragua (Warren) to the Secretary of State

No. 17

MANAGUA, May 18, 1945.

[Received May 23.]

SIR: [Here follow references to several of the Department's instructions during 1943-1945 relative to Axis interests and to the status of Luis Palazio.] When Luis Palazio was deleted from the Proclaimed List on November 17, 1944, this Embassy recommended that his name be included on the Confidential List of Unsatisfactory Consignees (Airgram no. 465 of November 16, 1944, and Airgram no. 5 of January 16, 1945¹¹) on the ground that as a close relative of Alfredo, Carlos and Enrique Palazio (then PL¹²) and a shareholder of E. Palazio & Company (then PL), he could individually revive the business of the firm in which his three relatives were also shareholders. This recommendation was rejected (Department's Airgram no. 50 of February 12, 1945¹³) with the following comment: "To continue to regard an individual as politically unsatisfactory after his deletion from the Proclaimed List creates serious administrative difficulties. . . . With regard to preventing non-Proclaimed List nationals such as Palazio from acquiring agencies of United States firms it is suggested that you submit current World Trade Directory Reports on them setting forth the reasons, as you did in Airgram no. 5, for your belief that such persons would be undesirable as agents of United States firms." Information for a World Trade Directory Report has been procured from Luis Palazio, but as his relatives and the firm were deleted from the Proclaimed List on May 4, 1945, the specific reasons set forth in Airgram no. 5 for his inclusion on the Confidential List are no longer valid.

There are, however, in my opinion other forceful reasons for denying United States agencies to proclaimed nationals upon their deletion from the List. With the exception of persons deleted because erroneously included originally and of firms deleted because of a sat-

¹¹ Neither printed.

¹² Proclaimed List.

¹³ Not printed.

isfactory change in management or ownership, the Proclaimed List comprised those who gave their loyalty or lent their cooperation to subversive activities in furtherance of the Axis cause. The elimination of these elements from the economic life of the Western Hemisphere was a recited objective of the control measures recommended in resolutions adopted at the Inter-American Conference on Systems of Economic and Financial Control held at Washington, D.C. in July 1942.¹⁴ Pursuant thereto the Nicaraguan Government has enacted and enforced restrictive legislation of a severe character which the persons affected correctly believe was prompted by this Embassy. For over three years these persons have subsisted on what the National Bank allowed them for maintenance, have seen their businesses liquidated or expropriated and the proceeds converted into bonds maturing in twenty years. It would be fatuous to suppose that this experience has converted Axis partisans of 1941 to pro-American democrats of 1945. Hope of escape from humiliating restrictions, social stigma and material ruin is more than adequate to explain their present professions of sympathy for the United Nations and willingness to subscribe undertakings for future conduct. And it is reasonable to suppose that a present fear of reinclusion on the Proclaimed List will deter them from any subversive activity for a considerable time.

But as this fear passes with peace and time, these individuals will be the logical instruments of that quiet resurgence of Axis effort which is envisaged in the *SAFEHAVEN* Project.¹⁵ Their former proclaimed status will be a badge of loyalty which post-war Axis agents will respect, and their rancor will be a stimulant to renewed collaboration when deemed safe. If they again become economically powerful in Nicaragua, their ability to injure the interests of the United States will be proportionately great; if not, they can offer scant service to their principals. As the overwhelming bulk of Nicaragua's commerce is with the United States, and the local representation of a great American corporation is in itself enough to insure the prosperity of a local firm, it lies largely in our power to concede or to deny deleted enemies the means of a speedy recuperation. If conceded, they will not be slow to grasp the opportunity, and it is not to be inferred that their wish to represent American firms constitutes the slightest evidence of pro-American sympathy. On the contrary the most active Nazi firms before the war eagerly sought and procured American agencies,—among them Casa Geertz (PL), of which the notorious

¹⁴ See *Foreign Relations*, 1942, vol. v, pp. 58 ff.

¹⁵ The *SAFEHAVEN* Project was a combined effort of the Departments of State and Treasury and of the Foreign Economic Administration to forestall German attempts to hide assets outside of Germany and to lay the economic basis for future aggression. For documentation, see vol. II, pp. 852 ff.

Oscar Wilms (PL, repatriated) was manager. Nor, should it be added, will American firms be reluctant to accept their services. Local representatives of both the United Fruit Company and the West India Oil Company long ago requested this Embassy to advise them when E. Palazzo & Company could be reappointed as their agent. Such connections cannot fail to bring the deleted firm prosperity, commercial prestige and information of great value to the planners of Germany's future. No investigation by this Embassy, furthermore, can possibly determine whether those deleted have no latent intent to cooperate in the future. It may be safely assumed that for the present and near future they would not, and that in doing so later, they would exercise great circumspection. But information which they might obtain for legitimate commercial purposes without attracting suspicion may also be of political and military value. . . .

Aside from any consideration of the treatment of deleted Proclaimed List firm, it seems that our policy with regard to such firms serving as representatives of American business houses is of primary importance in our efforts at post-war recuperation in the field of foreign trade and our national effort to control forces and agencies that will promote and protect hemisphere solidarity. We found as we went into the Second World War that our greatest weakness from the Rio Grande to Patagonia was the fact that the representation of the most important American firms, in far too many cases, rested in the hands of foreigners owing allegiance to the Axis. We know now that one reason that Germany was able to make the fight that has astounded the world was her network of nationals throughout the world serving commercially outstanding American, British and other allied firms. It was through this network that Germany obtained the information which made her need for intelligence in the strictest sense of less importance. When the war broke out, the Nazi Government already had on file in Germany the most critical information needed for the prosecution of the war. If the United States is now to follow the present practice with regard to deleted firms, we are making again the same tremendous error that characterized our foreign trade in the 20's and 30's. To say that a World Trade Directory Report cannot show the former Proclaimed List status of a firm or that no action can be taken in Washington to prevent such firms seizing again their privileged pre-war status is tantamount to admitting that we are unable and unprepared to protect ourselves in the post-war world. We may be sure that if we do have another war that our Latin American friends will never forgive us for delivering ourselves a second time into the hands of our enemies.

As suggested in Airgram no. 50 relative to Luis Palazzo, a World Trade Directory Report will be submitted on the recently deleted firms

and individuals together with a notation that for the general reasons advanced in this despatch they are believed undesirable as agents for United States firms. The more important of these firms and individuals, however, need no recommendation from the Bureau of Foreign and Domestic Commerce to procure American agencies, and I strongly urge that some much more effective means of preventing their recuperation through American commerce be authorized and made effective.

Respectfully yours,

FLETCHER WARREN

740.00112A EW/5-2145

*The Acting Secretary of State to the Ambassador in the Dominican Republic (McGurk)*¹⁶

No. 303

WASHINGTON, May 21, 1945.

The Acting Secretary of State refers to the Department's circular airgram of April 28, 1945, 4:20 p. m. [9 a. m.],¹⁷ concerning the considerations which will govern the maintenance of the Proclaimed List following the cessation of hostilities in Europe. This circular airgram stated that instructions would be forthcoming on the individual problems of each of the other American republics.

There is enclosed a memorandum dated April 27, 1945, entitled "Policy with Respect to Proclaimed and Confidential Lists in Post-Hostilities Period: Western Hemisphere". This memorandum together with its enclosures sets forth the future listing policy for the Western Hemisphere in greater detail than was possible in the circular airgram.

There is also enclosed a memorandum entitled "Country Memorandum for the Dominican Republic" which has been approved by the Interdepartmental Proclaimed List Committee. This country memorandum outlines the progress that has been made, analyzes the present Proclaimed List and replacement situation, and contains recommendations approved by the Committee concerning the withdrawal of the Proclaimed List for the Dominican Republic.¹⁸

¹⁶ This instruction was sent, *mutatis mutandis*, to most of the diplomatic representatives in the other American Republics.

¹⁷ *Post*, p. 661.

¹⁸ Country memoranda were also transmitted in instructions 76 to Costa Rica, May 23; 5182 to Cuba, May 21; 55 to El Salvador, May 23; 960 to Guatemala, May 21; 348 to Haiti, May 21; 1972 to Honduras, May 23; 7470 to Mexico, May 23; 1584 to Nicaragua, May 25; and 348 to Panama, May 21. Extracts of these memoranda, for reasons of convenience, have been inserted by the editors as addenda following the Dominican Republic Country Memorandum in the order in which they were dated. The instructions, not printed, were roughly similar to instruction 7152, May 15, to Rio de Janeiro, p. 663.

[For text, *mutatis mutandis*, of remainder of this instruction, with extract of two additional paragraphs preceding the last, which were not applicable to the Dominican Republic, see instruction 7152, May 15, to Rio de Janeiro, page 663.]

[Enclosure 1]

MEMORANDUM

[WASHINGTON,] April 27, 1945.

Subject: Policy with respect to Proclaimed and Confidential Lists in Post-Hostilities Period: Western Hemisphere.

Reference is made to the circular instruction of September 20, 1944,¹⁹ concerning the continuation of the Proclaimed List in the period following the cessation of organized resistance in Europe, and to the Department's circular airgram of April 28, 1945.

I.

As was indicated in the Department's circular telegram [*airgram*] under reference, discussions have recently been held in Washington between British and United States officials with respect to post-hostilities listing policy. The substance of the conclusions arrived at has already been forwarded to the Embassy in Department's circular telegram under reference. It will be useful, for the purposes of the discussion which follows, to outline briefly the background of these discussions and these conclusions.

In May, 1944, a widely publicized statement²⁰ of an officer of the Department indicated that the List could probably be withdrawn more quickly from countries far removed from the area of battle than from others. On December 8, 1944, the Interdepartmental Committee on Economic Foreign Policy approved, in final form, a document²¹ which stated an agreed policy of continuing the List for some period after cessation of organized resistance in Europe. An earlier edition of this document²² had been made the basis for the statement of September 26, 1944, to the effect that the List would be so continued, and that it would be withdrawn most rapidly in those countries which had effectively eliminated Axis spearheads. Neither the Executive

¹⁹ *Foreign Relations*, 1944, vol. VII, p. 530.

²⁰ Statement made in the penultimate paragraph of an address by Francis H. Russell, Chief of the Division of World Trade Intelligence, on May 4, 1944, printed in Department of State *Bulletin*, May 6, 1944, p. 405.

²¹ Not found in Department files.

²² Report, not printed, entitled "Continuation of the Proclaimed List in Post Hostilities Period," approved on August 28, 1944, by the Interdepartmental Committee on Post-Hostilities Controls over Foreign Property and on September 1, 1944, by the Executive Committee on Economic Foreign Policy.

Committee document nor the statement of September 26, 1944, which was issued simultaneously by the British and the United States, however, settled specifically the question of the manner in which the List would be withdrawn after V-E²³ day. In other words, although this Government and that of the United Kingdom had announced that the Lists would continue, neither government had settled whether the Lists would continue unmodified, whether there would be a gradual decrease, and so forth.

It was believed, however, from reports received during the course of the last several months, that the British view would be that the Lists should be cut drastically immediately after V-E day, and that only a "hard core" of principal offenders should thereafter be carried on the Lists until the final elimination of the Lists themselves *in toto*. It was thought, also that the British favored elimination of the Confidential Lists, which, on the other hand, the Interdepartmental Proclaimed List Committee considered to be at the very least a highly desirable adjunct to the published lists, and one which should be continued while there existed the export controls which made possible the functioning of a confidential list. In recognition of the need to find a common meeting ground and reconciliation of views, therefore, a memorandum was prepared by the Department and cleared with the Interdepartmental Proclaimed List Committee. This memorandum, a copy of which is enclosed as enclosure 1,²⁴ thereafter served as the basis for discussions with Mr. Dingle M. Foot, Parliamentary Secretary for the Ministry of Economic Warfare, and with officers of the British Embassy in Washington. These discussions extended from April 16 to April 21, 1945, and resulted in the drafting of a second memorandum (enclosure 2 hereto)²⁵ which was jointly submitted by the Department and Mr. Foot and the British Embassy to the Proclaimed and Black List Committees.

II.

This tentative agreement falls into several categories. The more important of the points are summarized hereinafter. The memorandum itself (enclosure 2) will of course set forth the recommendations more fully.

a) The Lists in the Eastern Hemisphere are to be eliminated as follows: minor offenders immediately after V-E day; the intermediate category four months thereafter; and "hard core" approximately one

²³ Victory-in-Europe.

²⁴ Memorandum dated April 13, 1945, entitled "Continuation of the Proclaimed List in the Post Hostilities Period," not printed.

²⁵ Undated memorandum on British-United States discussions relating to post-hostilities listing policy in the Western and Eastern Hemispheres, not printed.

year after V-E day. The Department's view is adequately expressed in enclosure number 1 to this instruction; the British urged strongly that circumstances connected with the necessity for removing wartime restrictions made it impossible to continue the Lists in any manner more extensive than that above outlined.

b) The program already under way in the Western Hemisphere is to continue. That is, the program of mass deletions to reward progress in replacement programs. It is recognized that it will not be possible to hold to a line in any Western Hemisphere country more drastic than that adopted for Eastern Hemisphere countries, and that, therefore, deletions even in a country like Argentina will have to follow a pattern similar to that in a country like Spain. On the other hand, an attempt will be made to emphasize the distinction between cooperating and non-cooperating countries, and to implement the statement of September 26, 1944, by withdrawing the Lists promptly from the cooperating countries while continuing it in substance until the deadline set by the Eastern Hemisphere schedule in those countries which had not eliminated spearhead concerns and carried out an effective replacement and control program.

c) The Confidential Lists are to be eliminated shortly after or upon V-E day. It was felt strongly by the British authorities that they could not continue secret lists after actual cessation of hostilities.

d) The Lists are to remain flexible enough to take care of cloaking offenses. It is recognized that control of cloaking is difficult of fulfillment in the absence of extremely flexible secret lists; but every effort will be made to maintain the effectiveness of the List by the continued application of the usual Proclaimed List policies, including the listing of such cloaks as may be necessary to maintain the List's prestige. Additional listings should be considered in the light of the post-hostilities listing program, so that the additions of names which would not qualify for a residual list will be kept to a minimum.

e) The necessities of the war in the Pacific are not intended to be affected by the memorandum. This, of course, does not prohibit deletions of Japanese names in connection with mass deletion programs and the like, where local controls have become adequate.

III.

Principally, the following points may be made with regard to the memorandum, accepting the document as a working compromise between varying points of view:

a) The fundamental time-table is set by the schedule of deletions for the Eastern Hemisphere. Since it seems obviously impossible to adopt a more stringent policy in any of the American republics than

would be adopted with respect to one of the European neutrals, it becomes necessary to work within or where appropriate, in advance of, the schedule established for the latter countries. For example, it may be accepted as following from the document that reductions of the lists will take place in Argentina, even if that country has not moved forward with an effective replacement program, parallel with the reductions contemplated for (say) Spain.

b) It thus becomes necessary to take immediate steps to effect a substantial reduction or perhaps complete elimination of the lists in the cooperating countries, in order to comply with the September 26, 1944 statement that such a distinction would be made, and in order to use withdrawal in such countries as a talking point to persuade other countries to put a replacement program into effect, or to spur a lagging program. If there is uncertainty as to how long the Lists will be continued in the non-cooperating countries, it may be possible, within the four or five month period before the Lists are cut to the "hard core", to obtain some action from them, or at least to obtain a definite promise of action, to which the withdrawal could be related.

c) It becomes obvious that the sooner withdrawal is effected in cooperating countries, the more clear will become the distinction between the sheep and the goats. Moreover, should such withdrawal in cooperating countries come substantially before announcement of V-E day, the period during which the Lists will continue in the other countries, in terms of months rather than dates, will be substantially lengthened.

d) Although the fundamental pattern is of course fixed in the memorandum, as explained above, the problems of the American missions in the other American republics have, of course, been always before the Department with respect to this problem. It is hoped that enough flexibility may be retained, within the framework thus outlined, so that withdrawal of the Lists in the manner contemplated will not injure chances for successful completion of replacement programs on which the various missions have for so long worked. It is intended, also, that opportunity shall be afforded to those missions having particular problems to comment and to consult with the Department on these matters. The Department attaches great importance to the replacement programs and to the work of the missions in this field, and continued and intensified efforts will be made during the remaining period to carry this work to a successful conclusion.

e) As indicated in the Department's circular telegram [*airgram*] of April 28 under reference, this program contemplates rapid elimination of the Lists in the Central and Caribbean republics, and in Mexico and Ecuador; probably in Brazil and Chile; and possibly in

Peru and Venezuela. It is proposed that the Lists will be wholly or virtually withdrawn in many of the Central and Caribbean republics, in Mexico and in Ecuador in the first practicable supplement after V-E day. The virtual withdrawal of the Lists in the other named countries is possible for the same supplement, but will await the comments of the missions in these countries. Subject to the already-mentioned requirements imposed by the time-table for the Eastern Hemisphere (cf. III-a), deletions in the other republics—Argentina, Bolivia, Colombia, Paraguay and Uruguay—will await implementation of a satisfactory replacement and control program by those countries.

f) It is anticipated that a public announcement will be made of the steps being taken when the deletions are made, and that it will in that announcement be emphasized: 1) that the Lists are being withdrawn, in accordance with previously announced policy, in countries which have put into effect satisfactory controls and eliminated spearhead concerns; 2) that the elimination of names from the Lists under such a program in no way implies anything other than that local controls are deemed adequate to deal with the persons previously listed; and 3) that deletion from the Lists under these circumstances does not imply a "whitewash" of the deleted names.

The possible introduction of other types of lists is outside the scope of this memorandum.

[Enclosure 2]

[WASHINGTON,] May 5, 1945.

COUNTRY MEMORANDUM: DOMINICAN REPUBLIC

I. *Spearheads*²⁶—*Résumé of Action with Respect to*

A. *Completely Eliminated*

(So far as is known no transfer of titles of enemy properties has occurred. "Elimination" amounts to gradual liquidation under administration rather than outright dissolution. Proceeds arising either from operation prior to liquidation or from liquidation are understood to have been dissipated in administrative expenses or to have been permitted to accumulate in blocked accounts in favor of the enemy nationals. The post war disposition of any balances in the blocked accounts has not yet been determined).

[Here follow a list of 10 eliminated spearhead interests, an indication that no spearheads were in process of elimination, a statement

²⁶ Persons and business entities considered to be closely associated to the Axis cause and thus retained as a "hard core" group on the United States Proclaimed List and/or its British counterpart, the Statutory List.

covering intervention or other non-elimination action against 8 spearheads, and a list of 4 remaining spearheads.]

II. *Non-Spearhead Concerns—Résumé of Action with Respect to*

[Here follow an indication that no non-spearhead concerns had been, or were in process of being, eliminated, and a listing of two non-spearhead firms that had been intervened or had faced other non-elimination action.]

III. *Disposition of Enemy Trade Marks and Patents*

[The statement under this section on trade marks and patents has been omitted by the editors in this and subsequent country memoranda.]

IV. *Proclaimed List and Replacement Situation*

The Proclaimed List for the Dominican Republic contains 28 names as of May 5, 1945.²⁷

The Dominican Republic declared war on Japan on 12-8-41 and on Germany and Italy on 12-11-41. With a strong centralized government Dominican controls have in general been effective from the beginning. The most dangerous enemy nationals were at once confined in concentration camps and deported to the United States. With the deportation of the Nazi leaders, the Nazi organization collapsed, and subversive activity has been a practical impossibility. Enemy interests have been placed under controls wherever continued activities might endanger the security of the Hemisphere, and, in the application of its controls the Dominican Government has looked upon the Proclaimed and Statutory Lists as lists of the suspicious entities subject to the controls.

Except for the accumulation of blocked balances in favor of enemy nationals, the principal weakness in Dominican controls is the repeated refusal of the Dominican Government to vest or force the sale of certain enemy interests. In negotiations initiated to secure a satisfactory adjustment of this situation, the Dominican Government has consistently argued that security did not require vesting or forced sale, and that intervention was sufficient for the purposes of economic warfare and adapted to circumstances prevailing in the Dominican Republic. Since the Dominican Government has not pressed for the deletion of Proclaimed List firms, the Mission has never been in a position to offer deletions as in other countries, as a *quid pro quo* for a vesting or forced sale program. In this connection the Mission seems to feel that even the proposal outlined in the circular telegram of

²⁷ For information concerning Cumulative Supplement No. 3 to Revision IX of the Proclaimed List, issued May 5, 1945, see Department of State *Bulletin*, May 6, 1945, p. 871.

September 20 for inducing foreign governments to eliminate spearhead Axis firms does not offer a basis for *quid pro quo* bargaining with the Dominican Republic. The Mission recommended, therefore, in its despatch no. 654 of 1-15-45 that, because of "the peculiar situation existing in the Dominican Republic", the American Government "pursue its policy of liquidating the Proclaimed List independent of the Dominican Government". In support of this recommendation the Embassy stated that in its opinion and in the opinion of the British Legation there are no Axis spearhead firms operating in the Dominican Republic and that, secondly, it is unlikely that the Dominican Government is sufficiently concerned about any of the spearhead firms or individuals to care whether or not they are removed from the Proclaimed List.

On the other hand in response to the Department's circular telegram of September 20 the Dominican Foreign Office stated that the Dominican Government offered its "fullest cooperation in the application of sanctions against firms wherever located which remain on the Black List²⁸ during the period following the cessation of organized resistance in Germany".

Specifically, with respect to the withdrawal of the Proclaimed List for the Dominican Republic, the Embassy recommended that two enterprises which have been closed and their owners, together with six individuals who are believed to be no longer dangerous to the Allied war effort, be deleted at once. The Committee approved the deletion of all but one of these names on 4-30-45 and their deletion will be published May 4 [5].²⁹ The Embassy further stated that the remaining names could all be safely removed from the Proclaimed List with the termination of the war in Europe, and that there are no spearhead firms whose listing should be continued after the war. The British Legation was stated to have expressed its concurrence in these recommendations.

The British are understood to have no "hard core" list for the Dominican Republic.

V. *Recommendations regarding withdrawal of List*

A. In spite of certain deficiencies in the Dominican controls outlined above, the Dominican Government has in general cooperated in the economic warfare program and through deportation and repatriation has appeared to eliminate all but one of the enemy-owned and controlled firms in the Dominican Republic. It is therefore recommended that the Proclaimed List for the Dominican Republic be withdrawn

²⁸ A British non-published confidential list similar in purpose to the United States Confidential List.

²⁹ See footnote 27, p. 316.

in the June 8 supplement with the exception of a "hard core" list which would consist of enemy-owned or controlled firms which have not been effectively eliminated and any notorious individuals who are internationally regarded as Axis collaborators.

B. 1. The Dominican Government should be informed that this Government had hoped that by V-E Day the elimination of spearhead firms would have progressed to the point where the Proclaimed List for the Dominican Republic could have been completely withdrawn. The Dominican Republic should be asked immediately what its plans are with respect to the elimination of the remaining spearheads. If at all feasible, assurances should be obtained from the Dominican Government that elimination will occur in the future and the Dominican Government should be informed that this Government proposes to withdraw the Proclaimed List for the Dominican Republic with the exception of a hard core list as defined in the preceding paragraph in the June 8 supplement.

2. The Dominican Government should be informed that the spearhead firms which will remain on the Proclaimed List will be considered *ad hoc* for deletion as they are effectively eliminated.

3. The Dominican Government should be informed that the Proclaimed List will remain in full force with respect to the names which remain on the List.

[Addendum 1]

[WASHINGTON,] May 5, 1945.

COUNTRY MEMORANDUM: PANAMA

I and II. *Spearhead and Non-Spearhead Concerns*

There are no spearhead firms in Panamá. Moreover, the Embassy has reported that there is not a single known Axis enterprise in operation in Panamá, and the activities of local non-enemy individuals, friendly to or guilty of aiding the Axis, have been rigidly curtailed since Panamá's declaration of war on December 7, 1941.

Panamá's entry into the war was quickly followed by the establishment of an Alien Property Custodian who proceeded with a policy of liquidating Axis firms and placing the personal assets of enemy aliens under its control. Those enemy aliens who were considered dangerous to the security of the Republic and the Panamá Canal were interned and subsequently were removed to the United States.

In addition, the unofficial cooperation of Panamanian Government officials resulted in the ready availability to the Embassy of infor-

mation (particularly that obtained from examining bank records and commercial licenses) which made it extremely difficult for enemy interests to conceal undesirable activities or connections.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation*

With the issuance of Cumulative Supplement No. IX-3 on May 4 [5], 1945 the Proclaimed List for Panamá was reduced to 12 names representing the Embassy's proposed post-hostilities list in addition to 2 names included in the British "hard-core" list but not in ours, and the names of 2 firms closely linked with firms of the same name now listed in Switzerland. There are no Japanese names on the residual list for Panamá

The Panamanian Government has never expressed any formal reaction to the proposed virtual withdrawal of the Proclaimed List for that country, having limited itself to an expression of appreciation for being informed in advance of the joint United States-British statement of September 26, 1944 and the reasons therefor.

Local controls in Panamá are not based on the Proclaimed List nor has the Panamanian Government ever been asked to establish official controls over Proclaimed List Nationals as such. It is therefore believed that even a complete withdrawal of the Proclaimed List for Panamá would not adversely affect Panamanian local controls.

Commercial and financial transactions with Japan probably are not possible. The foreign trade of Panamá flows through the United States Customs Service located in the Canal Zone, and the foreign exchange available to Panamanians is in dollars represented by drafts on New York banks.

The program of elimination of Axis interests and activity in Panamá may be regarded as completed, although it has apparently not been determined what disposition will be made of assets now under the control of the Alien Property Custodian.

V. *Recommendations Regarding Withdrawal of the List*

In as much as the Interdepartmental Proclaimed List Committee has already reduced the Proclaimed List for Panamá to 12 names, it may now be considered virtually a post-hostilities List. It is recommended that this List be withdrawn in the forthcoming supplement with the exception of Atlantis, S.A., Hapag-Lloyd, Schering Kahlbaum A. G., International Laboratories, Inc., and Tokalon Products, S.A.

[Addendum 2]

COUNTRY MEMORANDUM: MEXICO

[WASHINGTON,] May 7, 1945.

I. *Spearheads—Résumé of action with respect to*

(The following names indicated as spearhead were so classified by the Embassy, together with the Department, in the early part of 1942 in the course of negotiations with the Mexican Government concerning the Mexican vesting program.)

A. *Completely eliminated*

(It is not known in each case whether the firm represented has been liquidated or whether it continues in operation under the ownership of the Mexican Government or private individuals of satisfactory political sympathies. In each instance, however, the Mexican Government is understood to have vested title, and the enemy interest in the firm has been "eliminated".)

[Here follow a list of 57 spearhead interests and an indication that no other such interests remained.]

II. *Non-spearhead concerns—Résumé of action with respect to*A. *Completely eliminated*

The Mexican Government has vested some 250 former Proclaimed List entities and related interests in addition to the spearhead interests listed under I-A. Many of these entities would also fall within the spearhead definition suggested in the September 20 circular telegram and accepted for other countries. In each case title is understood to have passed to the Mexican Government. It is not known whether the going concern represented by some of the names were ultimately liquidated or sold to satisfactory ownership. It is believed that very few have been sold. Some of the entities are actually no more than blocked credits to which title has been seized.

B. *Process of elimination*

Many of the non-spearhead, as well as spearhead, entities are understood to be held by the Mexican Government pending their sale to satisfactory ownership or their final liquidation.

C. *Intervention or other non-elimination action*

None

III. [Not here printed.]

IV. *Proclaimed List and Replacement situation*

Mexico declared war upon Germany, Italy and Japan on May 22, 1942.

There are 535 names on the Proclaimed List for Mexico. Two group deletions have been made in recognition of the highly satis-

factory character of the Mexican local control program. A third group of 109 deletions was approved for publication April 30, 1945 but was not published at the request of the Embassy.

The Embassy has expressed the opinion, after consultation with the Mexican Foreign Office, that the controls exercised by the Mexican Government over enemy businesses and properties is so complete that the gradual reduction of the Proclaimed List for Mexico can be undertaken without endangering the objectives of the Proclaimed List or injuring its still considerable prestige in Mexico. The Embassy feels that group deletions gradually published would serve to emphasize the Proclaimed List status of the persons and firms whose names are last to be deleted from the Proclaimed List for Mexico.

The Proclaimed List for Mexico contains, in addition to the third deletion group, 350 Japanese names and 83 names looked upon by the Embassy as residual in the light of the Department's circular telegram of September 20, 1944.

Little consideration has heretofore been given to the Japanese firms and individuals whose names are included in the Proclaimed List. Since the Embassy understood in its preparation of a categorization of the Proclaimed List for Mexico that it was not the Committee's intention to consider within the near future the deletion of any Japanese names, the Japanese names were not listed according to seriousness of offense. With few exceptions the Japanese on the List were included on the basis of their Japanese nativity or extraction rather than upon demonstrated sympathies or overt activities. Most of them are of relative unimportance in the economy of the country. In the event that the Committee should contemplate the deletion of the Japanese names, the Embassy has requested instructions so that it might make appropriate recommendations.

Concerning the control exercised by the Mexican Government over Japanese persons and interests in Mexico it is understood that there are approximately 5000 Japanese residing in Mexico. Only two of these are confined in what might be termed a concentration camp but which is actually a prison in the old colonial fortress at Perote, Veracruz. Except for these two, all Japanese enjoy almost complete liberty with few restrictions and are able in general to devote themselves to their usual occupation. Shortly after the declaration of war upon Japan, Japanese citizens were compelled to reside in Mexico City. They were subsequently allowed to leave that city and even to return to their former places of residence, except in the maritime zones and zones bordering the United States. There have even been exceptions to the latter rule.

The Mexican Government has vested more than 20 Japanese business enterprises, including the Mitsui and other important Japanese

interests. It is not known how extensive the control of Japanese properties is in comparison with that of German properties, nor is it known whether or not significant Japanese properties remain wholly without control.

The interpretation of the satisfactory character of the Mexican control program has turned in great part upon the interpretation of the word "occupar" as it appeared in the Mexican Enemy Property Law of June 11, 1942. Article 7 of that law empowered the President of the Mexican Republic to "occupar" property of any kind belonging or presumed to belong to an enemy country or its nationals, as well as those properties in which enemy countries or their nationals had an interest even though title were vested in a third person. In an attempt to ascertain accurately the Mexican interpretation of this word, as well as of other provisions of the decree, the Embassy requested that the Mexican Government state whether title or ownership of vested companies remained with the original owners or had been transferred to the Mexican Government. The Embassy further inquired whether the title were held in trusteeship or in real ownership. The Embassy also inquired whether during the period between intervention of a company and the determination of its disposition by the Mexican Congress, after the end of the emergency, the original owner had any claim or rights in the property. In addition, the Embassy asked that the Mexican Government define the exact legal status of the owners in reference to the vested properties and what obligation, if any, the vested firms had toward them.

In reply to these questions the Mexican Government stated that in accordance with its Law of Enemy Properties and Businesses the title of ownership of the intervened properties during the state of the emergency had been transferred to the Mexican Government which held possession, administration, and free disposition of these properties. When the state of war had been concluded, the Congress of the Union would decide as to the form in which the properties should be administered, adjusted, or liquidated. Thus the title of ownership held by the Mexican Government constituted in its opinion an effective property right, and during the period between vesting and the reaching of a decision by the Congress, the original owner had no title or any right to the property. Former owners removed from the vested firms had no connection with the firms and the companies had no obligations to them other than those motivated by humanitarian considerations.

On the basis of the foregoing statements made by the Mexican Government the names of the principal vested firms were deleted from the Proclaimed List in the course of the last half of 1943.

Despite the foregoing assurances of the Mexican Government, however, with respect to its interpretation of "occupar", the corporate bodies of the vested firms continued in existence, and it was understood that their directors continued to meet even though the only asset of these firms was their claim for the return of their properties or the proceeds from the sale of these properties. Moreover, the Mexican Government was understood to have in contemplation an expropriation enabling act under which the properties understood to be already vested might be finally expropriated. The legal situation of the Mexican companies appeared therefore to be both similar and dissimilar to that of companies vested by the United States Alien Property Custodian. The legal situation was similar in that the Mexican Government might sell the properties and pass valid title, leaving only the proceeds of the sale to be disputed. Undesirable officials might be removed from the vested firms, and the ultimate disposition of the companies or the proceeds was left to the Mexican Congress.

The legal situation differed essentially in the firmness of the title vested in the two governments. The Alien Property Custodian enjoyed firm title but the Mexican Government did not seem to have firm title, although it had the power to pass firm title. Actual expropriation appeared to be required, therefore, to make the legal status of vested firms in Mexico exactly like that of vested firms in the United States. In support of the acceptance of the Mexican decree-law as vesting satisfactory title in the Mexican Government were the repeated assurances on the part of the Embassy and officials of the Mexican Government that the President of Mexico had no intention of returning to original owners the formerly German owned, drug and chemical firms taken over by the Mexican Government, and that the President firmly intended to carry out the final expropriation of these firms as a preliminary step in the development of a Mexican chemical industry.

Telegram no. 582 of May 3, 1945⁸⁰ states that the President of Mexico has requested that draft decrees for the expropriation of the vested chemical and pharmaceutical firms be prepared. It is anticipated that these decrees will be ready for signature within a few days. Since any deletions from the Proclaimed List before the issuance of these decrees might give rise to the exertion of pressure upon the Mexican Government by the former enemy owners of vested properties for the return of these properties, the Embassy strongly recommends that there be no change in the Proclaimed List for Mexico within the immediate future. The Embassy cautions that the foregoing information must be regarded as strictly confidential. A despatch of April

⁸⁰Not printed.

23, 1945³¹ reports that the President of the Junta de Administración has emphasized in the course of discussions with the Embassy that considerable pressure is being brought to bear upon certain members of the Intersecretarial Committee by dispossessed German owners of vested firms. The former German owners hoped to persuade the Mexican Government to relinquish its intervention. When the Junta became aware of this pressure, the Junta supplied the Intersecretarial Committee with information from its files demonstrating the Nazi character and sympathy of one of the firms whose release from intervention was being considered. It appears therefore that the deletion from the Proclaimed List at this time of the names of the former owners of vested properties, especially the 83 residual names, would not only weaken the position taken by the Junta in support of the vesting orders but might be used by the former owners as an argument to secure the revocation of vesting orders. The Embassy does not believe that the Mexican Government will return businesses to former owners as long as their names remain on the Proclaimed List, although the Embassy recognizes that former owners might regain control of certain firms, once vesting is relinquished, through the use of cloaks. The Embassy feels therefore that there is strong reason for retaining certain persons on the Proclaimed List and observes that these persons are also potential recipients of Safehaven funds. Their Proclaimed List status would, if continued, prevent their direct participation in any transfers of funds at least through normal channels.

V. Recommendations regarding withdrawal of List

A. In view of the satisfactory local control program developed in Mexico, it is recommended that the Proclaimed List be withdrawn for Mexico in the June 8 supplement with the exception of a "hard core" list which would consist in the case of Mexico of Japanese names, British "hard core" list, and a very few notorious individuals internationally regarded as Axis collaborators.

B. Unless information concerning the contemplated withdrawal should in the Embassy's opinion have a possibly adverse effect upon the expropriation program now under way, it is recommended that the Embassy inform the appropriate officials of the Mexican Government of the proposed withdrawal and urge that the Mexican Government complete its expropriation program so that Mexico can take its deserved place among the favored nations in the withdrawal of the Proclaimed List.

C. The Mexican Government should be informed that the Proclaimed List will of course remain in full force with respect to the names retained on the Proclaimed List.

³¹ No. 24051, not printed.

D. Although the Committee has not reached a final decision on the disposition of Japanese names and has not heretofore been especially receptive to recommendations for deletion of Japanese names, it is understood that in the future the Committee will be receptive to recommendations by the Embassy for the deletion of inconsequential Japanese names, Japanese spearhead firms which have been eliminated, etc.

[Addendum 3]

[WASHINGTON,] May 7, 1945.

COUNTRY MEMORANDUM: EL SALVADOR

I. *Spearheads—Résumé of action with respect to*

The Embassy has never referred to "spearhead" firms. However, it has reduced its list of names recommended for retention on the post-hostilities list from 84 to 21. It is assumed that these 21 names are considered by the Embassy as spearheads of Axis influence in El Salvador. The following analysis of action therefore refers to these 21 names.

II. *Non-Spearhead Concerns*

Approximately seventeen firms not included in the above list were intervened by the Salvadoran Government. Three of these were sold, and the rest continue to operate under intervention. At least sixty-five persons were deported to the United States or repatriated.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation*

Salvadoran controls are based on the Salvadoran Black List which includes all names on the Proclaimed List as well as enemy nationals who are not important enough to qualify for the Proclaimed List. Controls are administered informally by the Black List Committee. There has been close cooperation with the American and British missions.

Laws passed by the Salvadoran legislative assembly provided for the closing of all listed firms, appointment of inspectors, administrators, or liquidators, and the sale of proscribed firms at public auction. However, the Salvadoran constitution was generally interpreted as prohibiting the seizure and sale of Axis property. To obviate this impediment to the elimination of Axis interests, an amendment to the 1939 constitution was passed in February 1944, which permitted seizure, intervention and sale of enemy property. In conformity

with this constitutional amendment a comprehensive law providing specific authorization for such action was drawn up for enactment by the legislative assembly. Before any action could be taken the Salvadoran Revolution occurred, and the matter was dropped. According to the Minister of Finance,³² the decree of July 1944, which revalidated temporarily the constitution of 1886, left in force the principle of intervention contained in the February amendment. Another law for seizure and sale of Axis property was drafted by the Ministry of Finance, but was not presented to the legislature since it was considered advisable to wait until the new constitution was enacted to see how the matter of enforced sales would be handled. The Embassy has hesitated to enter into any discussions on these matters in view of the unsettled political situation. Nothing further has been reported by the Embassy in this regard since the advent to power of the new Castañeda Castro government.³³

As a result of these constitutional difficulties only five firms were completely liquidated and intervention must in general be regarded as the strongest form of control exercised in El Salvador. All funds of listed firms and persons are frozen, and no transactions are possible without a license issued by the Ministry of Finance. Transactions between any Salvadoran and enemy territory are prohibited by means of exchange controls; financial transactions with European neutrals can be undertaken only through special licenses issued by the Ministry of Finance.

There are two Japanese names on the Proclaimed List for El Salvador. Mitsui Bussan Kaisha never had an agency or representative in El Salvador; Benjamin Tanabe was deported and the ownership of his restaurant was transferred to his Salvadoran wife.

The Embassy has never indicated whether the Salvadoran Government would object to withdrawal of the Proclaimed List. Inasmuch as local controls are not based upon the Proclaimed List but on the Salvadoran Black List, it is presumed that it would not.

The British post-hostilities List includes six names (marked # in section 1 above); twenty-one names have been suggested by our Embassy for the residual list. A copy of the Embassy's despatch no. 82 of 3-26-45³⁴ is attached for the information of the Committee.

While the Salvadoran program for elimination of Axis interests cannot be regarded as fully completed, it appears unlikely that further steps will be taken by the Salvadoran Government, especially in view of the still confused political situation.

³² Carlos Alberto Guirola.

³³ Salvador Castañeda Castro assumed the office of President of El Salvador on March 1, 1945.

³⁴ Not printed.

V. *Recommendations*

1. The Committee proposes to withdraw the Proclaimed List for El Salvador in the June 8 supplement with the exception of a hard-core List which will consist of these names:

[Here follows a list of 12 names.]

2. The Salvadoran Government should be informed that this Government had hoped that by VE-Day the elimination of Axis spearheads would have progressed to a point where the Proclaimed List for El Salvador could have been completely withdrawn. The Salvadoran Government should be asked immediately what its plans are with respect to the elimination of the remaining spearheads. If feasible, assurances should be obtained from the Salvadoran Government that elimination will occur in the near future.

3. The Salvadoran Government should be informed that this Government proposes to withdraw the Proclaimed List for El Salvador with the exception of the hard-core List indicated in paragraph no. 1 above in the June 8 supplement, and that while the spearhead names which will remain on the Proclaimed List will be considered *ad hoc* for deletion as they are effectively eliminated, the Proclaimed List will remain in full force with respect to the names which remain on the **List.**

[Addendum 4]

[WASHINGTON,] May 10, 1945.

COUNTRY MEMORANDUM: COSTA RICA

I. and II. *Spearhead and Non-Spearhead Concerns*

Only four spearhead firms operated in Costa Rica, Guillermo Niehaus & Company; F. Riemers & Company; Cia. Agricola do Acosta; and Hubbe Hijos. All are included in the Proclaimed List. As was stated in a memorandum to the Interdepartmental Committee on the Proclaimed List dated April 18, 1945, spearheads have been virtually eliminated in Costa Rica and no longer represent a threat to hemispheric security; only certain urban properties of Guillermo Niehaus & Company remain to be expropriated. The Costa Rican Government has used expropriation and auction to eliminate each of the spearhead firms.

The Department authorized the Embassy in instruction no. 750 of November 11, 1944 ³⁵ to inform the Costa Rican Government that the spearhead firms are the ones in whose effective elimination this Government is primarily interested and that no recommendation is made

³⁵ Not printed.

with respect to the remaining names on the Proclaimed List since that is considered a matter for the decision of the Costa Rican Government. The Embassy was also authorized to state that this Government is desirous of consulting fully with the Costa Rican Government before effecting any withdrawal of the List and in this connection is prepared to retain on the List certain names which the Costa Rican Government believes should be retained in order to furnish support for local control measures. It was to be pointed out, however, that effective elimination of the spearhead firms would make possible a complete or virtual withdrawal of the List at any time which the Costa Rican Government might consider advisable subsequent to the cessation of hostilities in Europe.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation*

There are 164 names on the Proclaimed List for Costa Rica. It will be recalled that on the basis of the Embassy's categorization of the List in despatches no. 190 of March 23 and no. 214 of March 28, 1945,³⁶ 78 names classified in Category B 1-3 were deleted in Supplement No. IX-3 dated May 5, 1945. This group deletion leaves on the Proclaimed List for Costa Rica 164 names; 78 in Category B 4-7; and 86 in Category A, the Embassy's proposed post-hostilities List. It will be recalled that in the Embassy's despatch no. 190 the Embassy stated that it was believed that no opposition would be offered to the removal from the Proclaimed List of any of the names in Category B but that, of course, an opportunity should be granted the Embassy to consult with the local government before any of the Category A names are removed.

There are only six Japanese names on the Proclaimed List for Costa Rica, all of them included in Category A.

In Costa Rica the Proclaimed List is basic to local freezing and property controls. These controls on the whole have been satisfactory both as to legislation and administration. Costa Rican legislation provides for expropriation, liquidation, forced sale and intervention of economic business enterprises. Authority exists for the removal of undesirable employees. Proceeds of sale and profits of controlled business enterprises are blocked.

The Embassy reported in telegram no. 187 of March 29, 1945 ^{36a} that the Minister of Finance is very concerned lest Germans return to Costa Rica when controls are relaxed after the war and increase the strength of what he termed the German financial oligarchy which was powerful

³⁶ Neither printed.

^{36a} Not printed.

prior to the war. He desired a law passed which would leave him the decision regarding expropriation of all Italian and German properties. The Embassy believed that while the Minister was sincere regarding the possibility of the return of German business and financial influence after the war he might also be motivated by the desire to secure funds for the Treasury through wholesale expropriations. The Embassy has since reported that the Minister of Finance has now introduced into the Costa Rican Congress a bill consisting of amendments to the Law of Economic Defense which would provide for more drastic action with regard to the expropriation of German properties in Costa Rica.

The program in Costa Rica has so nearly reached a satisfactory conclusion that the only reason for not withdrawing the List virtually or completely lies in possible Costa Rican Government objection thereto.

It is believed that the Embassy's Category A List is much too long even for consideration as a hard-core List for Costa Rica. The British have proposed a post-hostilities List consisting of 16 names, although an additional 9 names are presently being considered by the Black List Committee for possible addition thereto.

V. Recommendations

It is recommended that the Embassy be instructed to consult immediately with the Costa Rican Government to determine its attitude regarding virtual withdrawal of the Proclaimed List for Costa Rica in Supplement IX-4 and that if the Costa Rican Government believes that it can satisfactorily maintain its controls over undesirable elements in that country the List be withdrawn in the forthcoming supplement, with the exception of a hard-core List consisting of Japanese names, any notorious individuals who are internationally regarded as Axis collaborators and possibly Guillermo Niehaus & Company which could be considered for deletion when the remaining properties have been eliminated. The Embassy should be requested to report immediately the names which would qualify for such a hard-core List. However, if the Costa Rican Government believes that the continuance of a more extensive Proclaimed List is necessary as a basis for its controls and needs more time to amend or implement its control legislation so that it can do without the Proclaimed List, the Embassy should review carefully the names which it has placed in Category A, in consultation with the British Legation, and recommend for retention on the List only those few names which unquestionably should remain.

[Addendum 5]

[WASHINGTON,] May 11, 1945.

COUNTRY MEMORANDUM: CUBA

I. *Spearheads—Résumé of action with respect to*

[Here follow a listing of four names which constituted the British "hard-core" list for Cuba, and an indication that no other spearheads were known to remain.]

II. *Non-Spearhead concerns—Résumé of action with respect to*

[Here follow an indication that no non-spearhead interests had been, or were in process of being, eliminated, and a list of 53 non-spearhead interests subjected to intervention or other non-elimination action.]

III. [Not here printed.]

IV. *Proclaimed List Situation*

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

Of the 99 names on the Proclaimed List as of April 24, 1945, only about 13 commercial entities are understood to continue to operate, and, of these, three are being administered by the Cuban Enemy Property Custodian.³⁷ All enemy interests have been subjected to the Custodian's control in the form of either intervention or administration. These forms of control are understood to involve the freezing of all funds belonging to the firms or individuals, the release of which is authorized to them by the Custodian as living expenses and commercial operating costs require.

Administration entails, in addition, the appointment by the Custodian of an administrator who administers in behalf of these firms or persons the properties of sufficient importance to require such action. Those Proclaimed List entities which are not alien enemies are not subject to the control of the Custodian and constitute the 13 businesses operating independently of Cuban controls.

Information is neither complete nor exact with respect to the nature of the Cuban enemy property controls. It would appear that actual ownership of the properties under the control of the Custodian rests with the original owners and that administration is merely a stricter form of control than intervention. Administration seems to be employed where the intervened property is of such significance in the economic life of the community that its preservation is desirable. The Custodian is empowered, however, with the President's³⁸ ap-

³⁷ Luis A. Collado Díaz.

³⁸ Ramón Grau San Martín.

proval to sell enemy properties which in his opinion should be alienated for reasons of public interest.

A new Enemy Property Custodian has recently been appointed and was requested by the Mission in January 1945 ³⁹ to inform the Mission specifically with respect to certain significant aspects of the controls exercised by him, such as title of ownership and future disposition. It is the Mission's opinion that the present Custodian, unlike the former Custodian, is a vigorous official who would be disposed to maintain severe controls and to extend them. This official unfortunately occupies several offices and with little time to devote to enemy property, is not without opponents inside the new administration. Although a full account of the information received by the Mission from the Enemy Property Custodian in response to the Mission's request has not yet been received, the Mission comments that the information is fragmentary and disappointing, and does not include authoritative statements regarding some of the most important aspects of Cuban policy and practice. The Mission observes that happily the German assets known to exist in Cuba are quite insignificant in amount and suggests that the Committee, in reviewing the Proclaimed List for Cuba, may wish to proceed on the assumption that Cuban controls over persons and properties of the enemy aliens are, with the exception of those afforded by internment, of negligible value. Therefore, since the total number of names included in the Proclaimed List for Cuba is relatively small, the Mission states that it contemplates no group deletions, so that the efficacy of continuing local controls will perhaps be a question of less weight in Cuba than in other countries.

The Mission, in preparing its categorization of the Proclaimed List for Cuba, divided the names into two categories of which one contained the names to be retained on the List during the post-hostilities period, and the other, the names which might be deleted upon the cessation of organized German resistance. With respect to the latter names the Embassy felt that where possible the person or entity concerned should be asked to sign a standard undertaking.

Most of the names considered by the Embassy as residual were those of persons and firms subject to some form of Cuban control. They are either interned and/or their properties administered or intervened. Except for possibly persons interned, two enemy agencies, and two persons having interests in Germany, none could be considered "spearhead". The Embassy felt that a decision with respect to the deletion of the firms and persons subject to Cuban controls should be delayed until the new Cuban administration had had an opportunity to consider the nature of the existing controls and their possible

³⁹ Request made in Embassy note 92 addressed to the Cuban Ministry of State, January 24, 1945, not printed.

continuance or extension. The Embassy presumed that where administration or intervention proved to be adequate, the relevant names might be deleted from the Proclaimed List. With respect to internment, the Mission felt that it might be illogical to delete names on the basis of internment only to find such persons relieved of all controls once they had been released from internment. The Mission accordingly recommended that the names of interned persons be retained for the time being on the Proclaimed List, and that upon the release from internment of an individual, his eligibility for deletion be considered.

There are eight Japanese listed on the Proclaimed List for Cuba. These eight listings represent three commercial enterprises, all of which have been subjected to Cuban controls. None of them is known to be of such a significant character as to warrant the description "spearhead".

V. Recommendations concerning withdrawal of List

A. It is recommended that the Embassy be instructed to consult immediately with the Cuban Government to determine its attitude regarding withdrawal of the Proclaimed List for Cuba in Supplement IX-4,⁴⁰ and that, if the Cuban Government believes that it can satisfactorily maintain its controls over undesirable elements in that country, the List be withdrawn in the forthcoming supplement, with the exception of a hard core list consisting of enemy owned or controlled firms, if any, Japanese names, British hard core names, and any notorious individuals who are internationally regarded as Axis collaborators. The Embassy should be requested to report immediately the names which would qualify for such a hard core list. If the Cuban Government should believe that the continuance of a more extensive Proclaimed List is necessary as a basis for its controls and needs more time to amend, implement, or reorient in terms of changing conditions its control legislation, so that it can do without the Proclaimed List, the Embassy should review carefully the names which it has placed in its residual list, in consultation with the British Legation, and recommend for retention on the List only those few names which unquestionably should remain.

B. The Committee is not making a final decision on what disposition should be made of Japanese names at this time. Up to now the Committee has not been particularly receptive to recommendations for the deletion of Japanese names. In the future the Committee will be receptive to recommendations by the Mission for the deletion of inconsequential Japanese names, Japanese spearhead firms which had been eliminated, etc.

⁴⁰ Supplement IX-4 was to be the next scheduled revision of the Proclaimed List, the most recent having been issued on May 5, 1945.

[Addendum 6]

[WASHINGTON,] May 11, 1945.

COUNTRY MEMORANDUM: HAITI

I. *Spearheads—Résumé of action with respect to*

[Here follow a list of 25 completely eliminated spearheads and an indication that no spearhead interests remained in Haiti.]

II. *Non-spearhead concerns—Résumé of action with respect to*A. *Completely eliminated—*

The Haitian Government has confiscated the property of all persons and concerns of German nationality or residence whose names were included in the Proclaimed List. The Haitian Government has also confiscated other enemy interests, both Proclaimed List and otherwise.

B. *Process of elimination—none*C. *Intervention or other non-elimination action—*

The Haitian Government in the latter part of 1943 vested the properties of all Italian persons and concerns whose names appeared in the Proclaimed List. Subsequently, however, about the middle of 1944, the Haitian Government relieved all Italian entities of vesting and is understood to have released at least some, perhaps all, of their property from controls. The nature and full implications of any continuing control are unknown.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation—*

Haiti declared war against Japan on December 8, 1941 and against Germany and Italy on December 12, 1941. The Haitian Government is understood to have confiscated all German Proclaimed List property, except trademarks and patents, known to exist in Haiti.

There are 51 names on the Proclaimed List for Haiti as of May 5.

In submitting a categorization of the Proclaimed List for Haiti the Mission has developed a List I of persons and firms which in its opinion should be retained on the Proclaimed List for Haiti as long as that List exists and a List II of names which may be deleted at such time as the Committee may indicate and after appropriate prior consultation with the Haitian Government.

The Embassy's List I contains the following spearhead names. In classifying persons and firms as spearhead the Mission has determined (a) whether the persons had the will and prestige necessary to become Axis leaders in Haiti and, (b) whether their firms were of such importance that they also had the means.

The Mission divides its List II of deletables into three principal groups in accordance with the seriousness of their offenses. In general

the Mission feels that (1) Italian names may be deleted first, then the (2) names of repatriated Germans together with the worst Italian offenders, and lastly (3) the worst German offenders together with the most important vested firms. The Mission believes it preferable to delete persons or firms belonging to a particular category simultaneously so that an explanation for each group can be inserted in the local press explaining the reasons for deletion. In order to avoid any possibility of advance notice to persons under consideration for deletion, the Embassy also recommends that the Haitian authorities be approached only regarding immediate deletions and that subsequent approaches be made regarding subsequent group deletions.

V. Recommendations Concerning Withdrawal of List

It is recommended that the Embassy be instructed to consult immediately with the Haitian Government to determine its attitude regarding withdrawal of the Proclaimed List for Haiti in Supplement IX-4, and that, if the Haitian Government believes that it can satisfactorily maintain its controls with respect to dangerous individuals and confiscated property without the support of a Proclaimed List, the List be withdrawn in the forthcoming supplement, with the exception of a hard core list consisting of the British hard core names, any notorious individuals who are internationally regarded as Axis collaborators, and possibly the names of The Embassy should be requested to report immediately the names which would qualify for such a hard core list. If the Haitian Government believes that the continuance of a more extensive Proclaimed List is necessary as a basis for its controls and requires more time to reorient its control legislation in terms of changing conditions, so that it cannot at once do without the Proclaimed List, the Embassy should carefully review the names which it has recommended for retention or addition, in consultation with the British Legation, and recommend for retention on the List only those few names which unquestionably should remain.

[Addendum 7]

[WASHINGTON,] May 11, 1945.

COUNTRY MEMORANDUM : HONDURAS

I. Spearheads

In reply to the Department's request for a list of spearhead firms, the Embassy at Tegucigalpa stated in despatch no. 1502 of November 27, 1944,^{40a} that 16 firms "might possibly be so classified".

^{40a} Not printed.

[Here follow a listing of 10 spearhead interests in process of elimination and 6 others awaiting action, plus an indication that no spearhead interests had been completely eliminated.]

II. *Non-Spearhead concerns*

The 14 non-spearhead names on the Proclaimed List for Honduras include 2 firms and 12 persons. One firm has been sold and one firm is nearly liquidated. Nine persons have been deported and the funds of eight have been frozen by the Honduran Government.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation*

The Honduran Government first established control over Proclaimed List persons and firms by Legislative Decrees Nos. 8 and 9 of December 17, 1941. Funds of Axis nationals were frozen and fiscal agents of the Government were appointed for all firms on the List as well as for all other German, Italian, and Japanese firms in the country. These agents were to check all transactions of the respective firms and were directly responsible to the Minister of Finance. No funds could be removed from any bank without the personal signature of the Minister of Finance and each firm was required to deposit periodically its monetary assets in a frozen account which the bank was required to establish for this purpose.

Executive Decree No. 46 of May 14, 1942 provided for the appointment of fiscal interventors for all firms controlled under Legislative Decrees Nos. 8 and 9. These interventors were given very broad powers to operate the enterprises subject to their control. *Acuerdo* No. 73-M of the Ministries of Hacienda, Crédito Público and Comercio amended Decree No. 46 to give the interventors even more extensive powers, and the Embassy pointed out that while a fiscal delegate had acted merely as an overseer a fiscal interventor really had the power of a receiver for liquidating the firm under his control. The interventors were further empowered by Executive Decree No. 57 of November 1942 to sell the intervened properties, but there were few instances where this power was exercised since the government was reluctant to enact legislation making expropriation or forced sale mandatory; until May 1944 there were very few sales of Proclaimed List property.

Executive Decree No. 71 of May, 1944 provided for the auction sale of real and personal property of any kind belonging to persons natural or juridical who were nationals of Axis countries or their collaborators and also the forced transfer by auction sale of the business undertakings, property, stocks, and rights of any nature belonging to any persons domiciled or resident in Honduras, whatever his

nationality, when said person in the opinion of the government is or has been engaged in activities prejudicial to the security of the American continent or favorable in any way to the totalitarian cause. This decree was confirmed and adopted by Legislative Decree No. 12 of December 21, 1944, and since October 1944 the Embassy has reported 41 separate sales of property belonging to six Proclaimed List firms or persons; the properties of one, Hans Moller, were sold by the Honduran Government subsequent to his deletion from the List in 1942.

There are no Japanese on the Proclaimed List for Honduras. All funds belonging to Japanese nationals have been transferred to the Honduran Treasury.

Exports to Axis nationals are prohibited, and due to lack of shipping space, there has been virtually no foreign commerce since the outbreak of the war.

The Embassy has never stated whether the Honduran Government wishes the Proclaimed List to be withdrawn. There is no Honduran Black List and until May 1944 controls were based on Axis nationality and on the American and British Lists. However, the wording of Executive Decree No. 71 (see above) may assure that local controls are continued even if the Proclaimed List is withdrawn.

In commenting on the administration of Proclaimed List properties in Honduras, the Embassy in Report No. 51 of April 21, 1945 states that graft on the part of Honduran interventors has been widespread. It reports this matter in the belief that it is almost inevitable that the administration of Proclaimed List properties in Honduras by government interventors will lead to extensive litigation at some time in the future at the instigation of the former German and Proclaimed List owners. The Embassy therefore states that while there is little likelihood of the return of any of the intervened properties to German ownership during the continuance of the present Government administration in Honduras, there is no assurance against the possibility of a "deal" between the former German owners and any opposition Government which might at some future date come to power.

The British post-hostilities List contains only five names: [Here follows list of five names] but two of these are not included in the Embassy's list of spearheads.

V. Recommendations

1. The Committee proposes to withdraw the Proclaimed List for Honduras in the July supplement with the exception of a small hard-core List which will consist of enemy-owned or controlled spearhead firms which have not been effectively eliminated, the British hard-core List, and notorious individuals who are internationally regarded as

Axis collaborators. The Committee felt that the virtual withdrawal should not take place in the June 8 supplement in order to allow one more month to press for implementation of the replacement program.

2. The Honduran Government should be informed that this Government had hoped that by V-E Day the elimination of Axis spearheads would have progressed to the point where the Proclaimed List for Honduras could be completely withdrawn. The Honduran Government should be asked immediately what its plans are with respect to the elimination of the remaining spearheads. If feasible, assurance should be obtained from the Honduran Government that elimination will occur in the near future.

3. The Honduran Government may be informed at the most strategic time, in the discretion of the Embassy, that this Government proposes to withdraw the Proclaimed List for Honduras with the exception of a hard-core List as defined in paragraph no. 1 above in the July supplement, and that the spearhead firms which will remain on the Proclaimed List will be considered *ad hoc* for deletion as they are effectively eliminated; but that the Proclaimed List will remain in full force with respect to the names which remain on the List.

[Addendum 8]

[WASHINGTON,] May 11, 1945.

COUNTRY MEMORANDUM: NICARAGUA

I & II. *Spearhead and Non-spearhead Concerns*

The Embassy at Managua has never reported specifically which firms it regards as the spearheads of Axis economic activity in Nicaragua. Despatch no. 2606 of October 5, 1944 ⁴¹ stated that Nicaraguan war measures had already eliminated or effectively control all Axis spearhead firms, but the spearhead firms are not named. Because the Proclaimed List is basic to Nicaraguan controls the Embassy has recommended the permanent retention on the Proclaimed List of sixty names, but obviously this list is not one of spearheads. Despatch no. 2606, copies of which have been distributed to the Committee, contains for each of the sixty names a brief statement of existing or impending controls. It will be noted that this list contains the names of twenty persons who are not in Nicaragua, the greater number having been deported, or deported and repatriated, and who are not known to have any property in Nicaragua; eight names of liquidated business concerns which hold only defense bonds and little or no other property; and the names of fourteen other firms against which expropriation

⁴¹ Not printed.

proceedings have been instituted. Aside from local considerations which, however, are determining, the Embassy believes that there is no useful purpose being served by retention of these names on the Proclaimed List.

III. [Not here printed.]

IV. *Proclaimed List and Replacement Situation*

Following a group deletion of 21 names in Supplement IX-3 dated May 5, 1945 there remain on the Proclaimed List for Nicaragua 65 names.

Nicaraguan local controls are directly based upon the Proclaimed List through the Nicaraguan List of Affected Persons. From early 1942 the Nicaraguan Government began a systematic liquidation of Axis firms by supervised retail sales of merchandise without restocking. Most firms had been substantially liquidated and some had been closed when Decree No. 276 permitting expropriation took effect on September 8, 1943. Thereafter the prior liquidation policy was continued and in addition properties were sold as a whole at public auction and by private sale in accordance with procedure prescribed by the decree. The amount of funds held by the National Bank of Nicaragua in Pro Defensa Patria bonds or in blocked accounts totals approximately C\$3,000,000 (\$600,000). Decree No. 355 of December 14, 1944 permits the National Bank to convert these bonds into cash if necessary to provide the owner with necessities.

The Embassy reported in Despatch no. 2606 of October 5, 1944 that the Nicaraguan Government intended to continue in effect its present sanctions against Proclaimed List nationals after the cessation of organized resistance in Germany and until the United States Government shall indicate that further control is unnecessary. The Foreign Office, Dr. Leopoldo Arguello Gil, executive member of the Consulting Commission on Controlled Properties, and officials of the National Bank of Nicaragua have expected and desired such continuation, at least until Nicaragua's present program of expropriations can be completed.

The unanimous reaction of these persons to the proposed withdrawal has been very unfavorable. Dr. Arguello stressed that if a name were removed from the Proclaimed List it would be almost impossible for him to resist the personal pressure of that person's friends and relatives to remove his name from the List of Affected Persons; that deletion would be probably regarded as clearance by the United States and the completion of any expropriation procedure would expose him and the local government to charges of persecuting persons absolved by the major power. Valle Quintero, the bank official directly in charge of enemy property, stated that deletion of a person's name against whom

expropriation proceedings had been instituted would cause great confusion to the bank; that many threatened law suits would in such event likely be brought; and further that the blocked cash or bonds of a person deleted would have to be released to such person or his agent.

The Embassy shares the official Nicaraguan view of the necessity of maintaining the Proclaimed List for Nicaragua in the post-hostilities period. It is therefore the Embassy's recommendation that, although the Proclaimed List for Nicaragua falls literally within the circumstances warranting its complete withdrawal because of the effective Nicaraguan local controls, a post-hostilities List should be maintained in Nicaragua because of the official opposition to its withdrawal and because of the public's probable belief that deletion is tantamount to clearance.

As has been stated above the Embassy's post-hostilities List contains 60 names and there are now on the Proclaimed List only 65 names. The British post-hostilities List contains but 9 names.

V. Recommendations

A. Although the Embassy has not specified which firms in Nicaragua it regards as spearheads, the Committee believes that the Embassy should exert every effort with the Nicaraguan Government to secure the complete elimination as rapidly as possible of firms regarded by the Embassy as spearheads which are merely "effectively controlled" by the Nicaraguan Government. It is apparent that spearhead interests will be among the first to insist upon relaxation of Nicaraguan controls when the Proclaimed List is finally withdrawn from Nicaragua. While Nicaraguan controls have been encouraging in their results, the fact that there apparently remain spearhead interests which may eventually recover their former power and prestige when the List is withdrawn, if vigorous steps are not now taken to prevent such a resurrection, dictates that the virtual withdrawal of the Proclaimed List for Nicaragua be effected in the July rather than the June supplement. The Committee is prepared, therefore, to maintain the Proclaimed List for Nicaragua substantially unchanged until issuance of the July supplement in order to secure through cooperation with the Nicaraguan Government the greatest possible attainment of this Government's economic warfare objectives.

The Committee has noted the Embassy's observation that, if the direct objectives of the Proclaimed List alone be considered, no useful purpose will be served by retention on the List of 42 of the 60 names which the Embassy has proposed for continued listing. The Embassy, in consultation with the British Legation, should again carefully review these 60 names, and insofar as it is possible now to do so, select for ultimate retention as a hard core List only enemy owned or con-

trolled spearhead enterprises which have not been completely eliminated, British hard core names, and the names of any individuals who are internationally regarded as Axis collaborators. Such a definition includes repatriated persons with property in Nicaragua, and can be construed to comprehend deported persons with properties in Nicaragua. It is hoped that the number of enemy owned or controlled spearheads which have not been eliminated may be reduced substantially between now and publication of the July supplement as a result of swift action on the part of the Nicaraguan Government to expropriate those spearhead interests which it now controls but in doing so perpetuates.

B. The Embassy should develop and report its hard core List to the Committee as soon as possible for review before approaching the Nicaraguan Government, indicating specifically which firms it regards as spearheads.

C. As soon as the hard core List prepared by the Embassy has been approved by the Committee the Nicaraguan Government should be informed of this Government's desire to withdraw the Proclaimed List for Nicaragua with the exception of the hard core List in the July supplement, and should be urged to complete the expropriation of all hard core properties as soon as possible and to reorientate or amend its controls so that it can do without the Proclaimed List.

[Addendum 9]

[WASHINGTON,] May 12, 1945.

COUNTRY MEMORANDUM: GUATEMALA

I. *Spearheads—Résumé of action with respect to*

[Here follows a listing of 294 spearhead interests divided into the following categories of control: 7 completely eliminated, 38 declared expropriated, and 234 residual which consisted of those *a.* owned in Germany, *b.* owned by persons deported to Germany, *c.* directly related to the 38 concerns mentioned above, or *d.* considered to be patently of an enemy character. Listed also as spearheads recommended for retention on the Proclaimed List and subject to expropriation for reasons included in the list were 15 additional persons and their properties.]

II. *Non-spearhead concerns—Résumé of action with respect to*

[Here follow a list of 2 completely eliminated spearhead concerns and an indication that all Proclaimed List non-spearhead properties had been expropriated or were in the late stages of expropriation.]

III. [Not here printed.]

IV. *Proclaimed List Situation*

Guatemala declared war against Japan on December 9, 1941 and against Germany and Italy on December 11, 1941.

There are 382 names on the Proclaimed List for Guatemala as of May 4, 1945.

The Guatemalan Government is in the midst of an extensive expropriation program. This program will comprehend within the proximate future all Proclaimed List agricultural properties in Guatemala. It is also understood to be the intention of the Guatemalan Government to include in its program commercial properties as soon as agricultural properties are out of the way.

Thus far, as suggested by the list of names included under I A, the Guatemalan Government has merely begun. It has been suggested that some rapidity in the final transfer of title might be expected, and it is believed that, circumstances remaining the same, the expropriation of agricultural properties will be completed within the proximate future.

Although Guatemalan controls therefore promise to be highly satisfactory and even go considerably beyond the limits set by this Government in the expropriation of enemy properties, a satisfactory condition cannot be said to exist at the present time. Moreover there is every reason to believe that both the Mission and the Guatemalan Government would strongly object to any drastic reduction in the Proclaimed List for Guatemala at this particular time, even though undertaken in recognition of its control program. It would seem that the situation in Guatemala is in this respect not unlike that in Mexico. In both countries the respective Missions object to the deletion from the Proclaimed List of the names of those persons whose properties have been or are being expropriated and who, with the deletion of their names from the Proclaimed List, would bring strong pressure to bear upon the local government in protest against expropriation. In such instances the deleted persons would surely refer to their deletion as clearance in the eyes of this Government. In Guatemala there is the additional factor that the expropriation program is based in great part, though not entirely, on the Proclaimed List. Especially with respect to commercial properties, the deletion of names from the Proclaimed List might be said to relieve them of expropriation. Undoubtedly the Guatemalan Government also understands that names will not be deleted from the Proclaimed List without consultation with that Government. Such consultation has heretofore been interpreted as concurrence, and it is not believed that the Guatemalan Government would concur in an extensive reduction program at this time.

A primary consideration in the reduction of the Proclaimed List for Guatemala is the treatment to be accorded deported and repatriated persons. It is the considered opinion of the Guatemalan Government that a person whose sympathies and activities were of such a nature that deportation was warranted and undertaken or that repatriation was desired should fall naturally within the category of entities whose properties should be vested. Since many of the properties included in the Proclaimed List for Guatemala are owned by persons who are interned in this country or who have been repatriated to Germany, consideration of these persons as spearhead add greatly to the length of residual list for Guatemala. It would appear that there is some justification in looking at least upon persons who have been repatriated as spearhead. Certainly in these cases ownership definitely rests in Germany.

There are no Japanese names included in the Proclaimed List for Guatemala.

The Committee has heretofore approved for deletion from the List for Guatemala some 30 names subject to the final concurrence of the Embassy and further consultation with the Guatemalan Government. In as much as the Guatemalan Government has not expressed its willingness to see these names deleted, final concurrence has not been forthcoming from the Embassy. On March 12 the Embassy transmitted to the Guatemalan Government a note enclosing two lists of names for its consideration with respect to deletion. List I included the names which have been approved for deletion from the Proclaimed List, and List II included 45 names which the Embassy felt might be deleted from the Proclaimed List at the conclusion of hostilities in Europe or at such time as circumstances made expedient. The Embassy pointed out to the Guatemalan Government that in November 1944 the Guatemalan Government had appeared anxious that the Proclaimed List should be reviewed in order that there should not be unnecessarily harsh cases affecting bona fide Guatemalan nationals or inoffensive enemy nationals. On the other hand it was generally understood at that time that, as a matter of mutual desire, persons deported from Guatemala in implementation of the United Nations war effort should be the object of forced transfer or total liquidation of their commercial and agricultural properties and investments, together with persons who had actively supported the German cause, regardless of nationality. With respect to the balance of 315 names, the Embassy observed that these names include for the most part the names of individuals who had been deported from Guatemala and the names of their commercial or agricultural properties. The Embassy, in relation to these names, stated: "It is contemplated that it may become expedient to effect deletions of the names of certain

of these commercial and agricultural properties under the implementation of the expropriation procedure at such time as these pass from their present enemy ownership to your Excellency's Government."

Thus in the Embassy's opinion the residual list should consist of some 315 names, subject to numerous deletions as the Guatemalan Government's expropriation program proceeds. For example the Embassy has already recommended for deletion within the last few weeks 12 agricultural properties falling under this description. These deletions have been published. The Embassy points out that there are approximately 100 names of *fincas* alone which will presumably be deleted as title passes to the name of the Guatemalan Government. There are also the names of firms and of individuals who have been deported and repatriated leaving no property here for expropriation whose names the Embassy evidently would also consider for deletion.

V. Recommendations regarding withdrawal of List

A. Since Guatemala does not fall with respect to local controls among the countries where spearhead interests have been completely or practically eliminated and for which the Proclaimed List may be reduced to a hard core in June, it is recommended that the List for Guatemala be reduced to a hard core in July rather than in June. This delay in reduction would not only place Guatemala in the appropriate group of countries where spearhead interests have not been effectively eliminated but also would afford the Embassy at Guatemala and the Guatemalan Government additional time in which to reach a definitive conclusion with respect to the names to constitute the hard core list. It would appear that the hard core for Guatemala should consist of enemy-owned or controlled spearhead firms, the British hard core list, and possibly a very few notorious individuals who are internationally regarded as Axis collaborators. Such a definition includes repatriated persons with property in Guatemala, and can, if the Guatemalan Government and the Embassy so desire, be construed to comprehend deported persons with properties in Guatemala.

The hard core list as defined above would probably include with respect to this memorandum all of the names on page 2, a substantial part of the names on pages 3 to 7, and possibly some of the names on pages 7 to 10. The Embassy should carefully scrutinize each of these names and eliminate from its hard core list any person or firm whose activities were not sufficiently important or inimical to warrant expropriation, as well as of course any name not falling strictly within the hard core list as defined and interpreted above.

The Committee desires to avoid being a party to any agrarian expropriation program, and strongly believes that any expropriation based wholly or in part upon the Proclaimed List should be determined

solely in the light of legitimate economic warfare objectives. This Government is interested from the point of view of economic warfare only in the elimination of spearhead interests.

B. The Embassy should develop and report its hard core list to the Committee as soon as possible for review before approaching the Guatemalan Government.

C. As soon as the hard core list prepared by the Embassy has been approved by the Committee, the Guatemalan Government should be informed that this Government had hoped that by V-E Day the elimination of Axis spearheads would have progressed to the point where the Proclaimed List for Guatemala could have been completely withdrawn. The Guatemalan Government should also be informed at that time of this Government's intention to withdraw the Proclaimed List for Guatemala with the exception of the hard core list, in the July supplement, and should be urged to complete the expropriation of all hard core properties as soon as possible. The Guatemalan Government should be informed of the names on the hard core list at the time of these discussions.

740.00112A EW/5-2345 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Brazil and Peru

WASHINGTON, May 23, 1945—8 a. m.

Eastern Hemisphere minor offenders (Class A) will be deleted in forthcoming supplement. In general Department considers deletions should not be made in European lists without corresponding reductions in lists for American republics.

Without awaiting special instructions mentioned in paragraph 2 circular airgram April 28 ⁴² please cable immediately, by referring to a categorization already in Department if possible, Class A offenders ⁴³ which can be deleted in forthcoming supplement. Please submit report ⁴⁴ even though special instructions may suggest virtual with-

⁴² *Post*, p. 661.

⁴³ For categorization, see circular airgram of April 28, 4:15 p. m., p. 663.

⁴⁴ The Chargé in Panama in telegram 499, May 29, 1945, 3 p. m., concurred in the hard core list as proposed by the Department (740.00112A EW/5-2945). In telegram 177, May 29, 1945, 3 p. m., the Ambassador in Haiti agreed to the removal of all names from the Proclaimed List except 10 persons (740.38112A/5-2945). The Ambassador in the Dominican Republic reported in his telegram 213, May 30, 1945, 2 p. m., that no spearheads remained in that country (740.00112A/5-3045). The reply from Honduras, airgram 132, May 31, 1945, indicated 22 cases that should remain on the list (740.00112A/5-3145). The Ambassador in Nicaragua recommended in despatch 390, November 6, 1945, that in deference to the wishes of Nicaraguan authorities, no person or firm be deleted whose assets had been liquidated and converted into government bonds (740.00112A/11-645).

drawal in forthcoming supplement so that Class A can be deleted in event virtual withdrawal does not materialize. If all Class A names already have been deleted please report this fact.

GREW

740.00112A EW/5-2545 : Circular telegram

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

WASHINGTON, May 25, 1945—8 a. m.

Confidential List of Unsatisfactory Consignees, will be eliminated on May 26. British are taking similar action with respect to Black List.

Principal function of Confidential List is to prevent cloaking for PL nationals. In future cloaking problem will be dealt with by inclusion in PL and, in appropriate cases, by acceptance of undertakings.

GREW

740.16112A/7-2445 : Airgram

The Ambassador in El Salvador (Simmons) to the Secretary of State

SAN SALVADOR, July 24, 1945.

[Received July 30—5 p. m.]

A-159. The Department's instruction no. 88 of July 19, 1945.⁴⁵ This Embassy and the British Chargé d'Affaires ⁴⁶ are still in agreement with the suggested hard core list, as indicated in my telegram no. 193 of May 31, 1945; ⁴⁵ this is true also of Salvadoran Government. However, the main obstacle to effective expropriation, liquidation or forced sale of remaining firms is the matter of agricultural properties, especially those of Walter Deininger, a Salvadoran citizen. Regardless of nationality of coffee plantation owners (Deininger, Alberto Bendix, Guillermo Schmidt), Salvadoran authorities still insist that the Constitution effectively prevents what they term the "unconstitutional" disposal of real estate. Consequently, even though we obtain oral assurances that the desired action will be taken, it is felt that, in actual practice, no coffee plantations will be liquidated or sold. However, further efforts will be made to have the authorities reconsider their decisions and the Department will be informed.

⁴⁵ Not printed.

⁴⁶ A. S. Fordham.

In the light of present conditions, this Embassy has felt that the deletions requested in despatch no. 329 of June 21, 1945,⁴⁷ could be considered as "intermediate" cases. If the Department feels that all names other than hard core ones should be deleted immediately, no valid objection to such action is perceived by us.

SIMMONS

740.16112A/8-2245 : Airgram

The Ambassador in El Salvador (Simmons) to the Secretary of State

SAN SALVADOR, August 22, 1945.

[Received August 24—6 p. m.]

A-196. The Department's instruction No. 88 of July 19, 1945⁴⁸ and this Embassy's airgram No. 159 of July 24, 1945. The Government of El Salvador to date has not given us assurances (1) that the remaining spearhead firms will be expropriated or subjected to liquidation or forced sale and (2) that these spearhead firms will not be returned to their former owners after the war. The matter was discussed with the Minister of Economy, who later brought it up in a regular Cabinet meeting, with no results. I mentioned it to the President yesterday and he said he would have it brought up in the next meeting of the Cabinet.

In addition to the delaying tactics already evident, it is felt that additional delay will be incurred because of rumored changes in the Cabinet. Any developments will be brought immediately to the Department's attention.⁴⁹

SIMMONS

740.00112A E.W./10-1845 : Circular airgram

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

WASHINGTON, October 18, 1945—9:15 a. m.

Reference is made to the circular airgram of September 28⁵⁰ concerning the reduction or withdrawal of the Proclaimed List. This

⁴⁷ Not printed; the Embassy, in despatch 329, requested that 32 names be deleted from the Proclaimed List in lieu of the failure to make wholesale deletions on June 8, which would have left only hard core cases (740.16112A/6-2145).

⁴⁸ Not printed.

⁴⁹ The delaying tactics continued through 1945. In airgram A-79, March 22, 1946, Ambassador Simmons reported as follows: "Liquidation may be said to be assured in the cases of commercial firms, with no prospects for liquidation of agricultural properties. Local controls are effective. The exception is, of course . . . when they have been removed from the Salvadoran list and granted full possession of the various properties and bank assets. Prestige of the list is good, since nobody will deal with listed persons or firms. Again the exception is" (740.00112A EW/3-2246)

⁵⁰ *Post*, p. 671.

matter has been given careful consideration by the Interdepartmental Proclaimed List Committee which has decided that the most feasible course to pursue is a continuation of our efforts to arrive at an agreed hard core with the British in London so that the present formula can be adhered to, namely, reduction to a hard core in November and withdrawal of the List one year after V-E Day. Accordingly, the Committee is not proposing to the British the plan described in the first paragraph of the circular of September 28. In view of this decision it is exceedingly important that any outstanding instructions concerning the selection of a hard core list be answered immediately.

The Committee has requested several missions to submit the names of any inconsequential Japanese for deletion at the time of the reduction to a hard core. If such names have not been submitted to the Department in response to a previous request they should be submitted as soon as possible.

BYRNES

740.00112A E.W./10-3045

The Ambassador in Guatemala (Kyle) to the Secretary of State

No. 784

GUATEMALA, October 30, 1945.

[Received November 6.]

SIR: I have the honor to refer to the Department's airgram No. A-694 of October 15, 1945,⁵¹ concerning the proposed reduction in November of the Proclaimed List for Guatemala to a "hard core", and to transmit herewith the Embassy's recommendations.

The Embassy for practical purposes has up to now deemed it wise to base its Proclaimed List policy for Guatemala on the special considerations existing in this country. These special considerations were the subject of the Embassy's Despatch No. 61 of May 23, 1945.⁵² It was specifically recommended in that despatch that "the proposed elimination of the Proclaimed List in Guatemala be carried out in accord with developments in the Guatemalan Government's expropriation program, and not on the category basis originally contemplated". In making this recommendation, the Embassy had the concurrence of the British Mission here.

It was the Guatemalan Government's original intention to terminate the expropriation of Axis properties in this country by September 10, 1945. This intention unfortunately has not been fulfilled, for diverse reasons which need not be explained in this despatch. Nevertheless, although the Guatemalan Government has not completed its expropri-

⁵¹ Not printed.

⁵² Not printed; it indicated that the Guatemalan Government had declined to concur in the elimination of 13 firms from category I of the Proclaimed List and regarded these as still subject to expropriation (740.00112A/5-2345).

ation program, it has carried it forward to a point where a large number of the spearhead properties have passed to the Guatemalan Nation. The Embassy continues to believe that the most effective way in which the Guatemalans can be encouraged and/or assisted in completing their program is for the Proclaimed List to be integrated with Guatemalan policy and requirements.

Since the Department apparently feels, on the other hand, that it is no longer practicable to follow this policy, and that the List for Guatemala must be reduced in November to a "hard core", the Embassy has again revised its previous recommendations and formulated a suggested "hard core" list which it is hoped will satisfy both the desires of the Inter-departmental Committee on Proclaimed List and the realities of the local situation.

Perhaps the most serious criticism of the length of the Proclaimed List as it exists today for Guatemala is the fact that it contains far too many names the continued inclusion of which serves no directly useful purpose, except insofar as the Guatemalan Government may be morally assisted in the implementation of its program. Therefore, the Embassy's proposed "hard core" list, which has met the approval of the British Legation in Guatemala, contains none of these names. Unfortunately, the British Legation here has not received the proposed "hard core" list from London formulated in reply to that jointly proposed by this Embassy and the British Legation, and contained in this Embassy's despatch No. 144 of June 7, 1945,⁵⁴ and therefore this Embassy is not informed with respect thereto. Nevertheless, it is the hope of both this Embassy and the British Legation here that the suggested "hard core" list transmitted herewith⁵⁴ as Enclosure No. 1 to this despatch will meet the approval of the Inter-departmental Committee and that any differences which now exist between this new list and the British Government's list mentioned in the Department's airgram A-694 will not prejudice its acceptance.

The problem of determining a "hard core" in Guatemala is complicated by the fact that many of the firms included therein are of relative inconsequence individually, whereas it is equally clear that they are of great consequence as a group in relation to Guatemalan economy as a whole. Thus, the latest "hard core" list being suggested by the Embassy is still a long one (126 names), but it is difficult to see how it could be shorter without adversely affecting the Guatemalan Government's program for elimination of Axis interests here as a whole.

There is also being transmitted herewith, as Enclosure No. 2, a copy of the Embassy's note to the Foreign Office, No. 403, of October 30, 1945,⁵⁴ which embodies the Department's instructions to inform the

⁵⁴ Not printed.

Guatemalan Government of the action to be taken in reducing the Proclaimed List for Guatemala to a "hard core". The Embassy does not yet know in what way the Guatemalan Government may react to the proposal to remove the last group of 51 names, the deletion of which the Guatemalan Government has resisted up to the present.

There are two names which the Embassy has not included in its note to the Guatemalan Government. These are the names of . . . (PL) and . . . (PL), concerning whom the Guatemalan Government has already stated it will have no objections were they to be deleted from our Proclaimed List. Therefore, the proposed list of deletions to be effected in November would be 192, since neither . . . are "hard core" cases.

With the deletion of 192 listings from the Proclaimed List in November, it would be reduced from its present 334 listings to 142, a reduction of better than 57%. Nevertheless, there are still sixteen names among the residual balance of 142 listings which cannot be classed as "hard core", but the Embassy strongly urges for the following reasons that these names not be deleted from the Proclaimed List in November, unless the persons involved are repatriated to Germany before then.

Excepting these 16 names which are not "hard core", but which the Embassy and the British Legation feel should be retained in the Proclaimed List at least until the question of their status either as prospective deportees or as internees in the United States is resolved, the proposed "hard core" list resolves itself down to 126 names, which are listed in Enclosure No. 1 to this despatch. The case for deletion of the other names currently included in the List is, it is believed, adequately summarized in the Embassy's Note No. 403 of October 30, 1945, marked Enclosure No. 2 to this despatch.

The Embassy will appreciate being informed of any changes in the "hard core" list which the Inter-departmental Committee may decide upon, far enough in advance of publication so that the Guatemalan Government may be appropriately advised, including the final determination to be taken with respect to the continued inclusion of the sixteen names mentioned in the body of this despatch.⁵⁵

Respectfully yours,

For the Ambassador:

W. A. HODGMAN

Commercial Attaché

⁵⁵ On November 19, in airgram A-737, the Secretary of State informed the American Embassy in Guatemala that the Working Party of the Interdepartmental Committee on the Proclaimed List had approved for retention on the Proclaimed List for Guatemala all 126 names recommended in despatch 784 in addition to the list of 16 names on pages 3 and 4 of that despatch. All other names, with one temporary exception, were approved for deletion. (740.00112A-EW/10-3045)

[On November 27, 1945, Cumulative Supplement 8 to Revision IX to the Proclaimed List of Certain Blocked Nationals was issued. By this action, paralleled by that of the British and Canadian Governments, 22 names were added and 2,721 deleted from that part of the Supplement which pertained to the other American Republics. See Department of State *Bulletin*, December 2, 1945, page 900.]

740.14112A/12-2745

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

[Extracts]

No. 958

GUATEMALA, December 27, 1945.

SIR: I have the honor to refer to the Embassy's despatch No. 959 of December 28, 1945, entitled "Status of Guatemalan Government's Proclaimed List",⁵⁶ which stated that all of the names deleted from our Proclaimed List of Certain Blocked Nationals with Supplement No. 8 to Revision IX of November 26, 1945, as well as 14 names deleted with Supplements Nos. 4 and 5 of June 22 and July 27, 1945, respectively,⁵⁷ remain included in the Guatemalan Government's Proclaimed List, and to report on the possible significance thereof.

It has been learned that in addition to withholding deletion action on the majority of the cases already deleted from our Proclaimed List of Certain Blocked Nationals, the Guatemalan Government has failed to restore to their owners any of the properties intervened by the Government by virtue of former inclusion in the Proclaimed List. In other words, full intervention continues for all of the coffee plantations deleted from the Guatemalan Proclaimed List, and their owners have informed the Embassy that their efforts to recover their properties have been unproductive of results to date. . . .

The Embassy has heard no reaction from official or private sources to indicate the attitude of the Guatemalan Government toward our action in reducing the Proclaimed List of Certain Blocked Nationals to a "hard core" on November 28, 1945. . . .

Respectfully yours,

For the Chargé d'Affaires a.i.,
W. A. HODGMAN,
Commercial Attaché

[For information concerning the withdrawal of the Proclaimed List throughout the Western Hemisphere on July 9, 1946, see Department of State *Bulletin*, July 21, 1946, pages 112 ff.]

⁵⁶ Not printed.

⁵⁷ See Department of State *Bulletin*, June 24, 1945, p. 1167, and July 29, 1945, p. 143.

INTEREST OF THE UNITED STATES IN THE PROBLEMS OF THE INTER-AMERICAN COFFEE BOARD ¹

561.333 D3/1-545 : Airgram

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

WASHINGTON, January 5, 1945.

A-29. Details regarding the quota increases under the Inter-American Coffee Agreement ² referred to in a preceding circular telegram ³ are as follows:

The Inter-American Coffee Board at its January 2 meeting approved a resolution combining in one emergency increase in the quotas under Article VIII of the Coffee Agreement the two quota adjustments authorized by the Board in its meeting of December 28, 1944. The resolution of December 28 increased the quotas to 200 percent of the basic quotas effective January 1, 1945 but provided for a reduction in the quotas to 125 percent of the basic quotas as of April 1. Under that resolution it would have been possible for coffee to have been entered for consumption into the United States from one or more countries prior to April 1, 1945 in a quantity exceeding the quotas which would have been in effect beginning with April 1. In adopting the resolution the Board was aware of this possibility but approved it with the understanding that provision could be made in any of a number of ways for handling such excess coffee, if the problem should arise. By permitting the resolution to be adopted in this form it was possible to obtain support for the resolution from a number of delegates who would not otherwise have voted for it.

In the January 2 meeting it was decided, however, that combining the two alterations into one adjustment, effective January 3, 1945, would simplify the resolution, and obviate the necessity of making provision for such excess coffee after it may have entered this country. If further increases in the quotas are needed to facilitate supplying United States requirements, they can, of course, be made.

It is realized that the coffee quota increase may not have any appreciable effect on the quantity of coffee sold to the United States.

¹ Continued from *Foreign Relations*, 1944, vol. VII, pp. 134-169. For further documentation on relations with Brazil and Colombia regarding coffee, see *post*, pp. 688 ff. and pp. 870 ff., respectively.

² Signed November 28, 1940: for text, see Department of State Treaty Series No. 970, or 55 Stat. (pt. 2) 1143. For documentation, see *Foreign Relations*, 1940, vol. V, pp. 380 ff.

³ Not printed

The primary purpose is to make it perfectly clear that the quotas are not responsible for our supply difficulties.

This message is being sent to AmEmbassy, Bogotá, San José, Habana, Ciudad Trujillo, Quito, San Salvador, Guatemala, Port-au-Prince, Tegucigalpa, Mexico, D.F., Managua, Lima, and Caracas.

STETTINIUS

832.61333/1-2945

*Memorandum by the Acting Chief, Commodities Division (Cale)**

[WASHINGTON,] January 29, 1945.

The coffee supply situation which, because of the urgent needs of the Armed Forces, has been serious for weeks is rapidly deteriorating and has now become critical. Among the causes of this deterioration are the following:

(1) The prospect of getting the Colombian Government to authorize the Colombian Coffee Federation to sell any coffee to the Armed Forces at present ceiling prices has virtually disappeared.

(2) Although officials of the Brazilian Government have expressed a willingness to sell the remainder of the Memorandum of Understanding⁵ coffee (210,000 bags) to the armed services rather than to civilian consumers and although they have expressed a willingness to consider further action with a view to preventing the reinstitution of rationing in this country, progress toward obtaining any large quantity of coffee from Brazil for the Armed Forces such as would be needed to bring about any real improvement in the present situation has been slow. There have been indications, in fact, that authorities of the Brazilian Government may be using delaying tactics in the consummation of any large sale to the Army in the hope that, by forcing us into a more difficult supply situation, they may lessen our determination to hold present ceiling prices.

(3) General Hardigg of the Office of the Quartermaster General has indicated that he must have very prompt action to obtain coffee for the Army but that he favors the reinstitution of rationing prior to the requisitioning of any civilian stocks for use by the Army. In a meeting in Mr. Clayton's office on January 26, he said that he was willing to give the industry in this country an opportunity voluntarily to furnish coffee to the Army prior to taking any action which would bring on rationing. In this connection, he indicated that he wished to obtain a million bags of coffee as soon as possible. I am sure that it would be impossible to obtain this quantity from civilian stocks now in the United States and I believe that General Hardigg has little hope of getting any such quantity of coffee voluntarily from the industry.

* Addressed to Assistant Secretary Clayton and to the Director of the Office of Economic Affairs (Haley). In a marginal note both indicated agreement with this memorandum.

⁵ For text of this memorandum, see Airgram 932, July 6, 1944, to Rio de Janeiro, *Foreign Relations*, 1944, vol. VII, p. 632.

(4) Drew Pearson⁶ in a nation-wide broadcast on Sunday night, January 28, described the Army supply difficulties and pointed out the possibility that coffee rationing might have to be reinstituted in the near future as a result of the unwillingness of United States Government authorities to increase coffee prices. This will, of course, accentuate the tendency on the part of consumers to hoard coffee and may make it impossible longer to delay the reinstitution of coffee rationing.

In view of the foregoing, I suggest that Mr. Clayton call either Judge Vinson⁷ or Justice Byrnes⁸ as soon as possible and request that, should the decision be reached to reinstitute rationing, at least 48 hours be given the Department before any public announcement of this fact is made so that we may bring the imminence of rationing again to the attention of the Colombian and Brazilian Governments and give them one last opportunity to make some concrete proposal that would relieve the situation. If they should be agreeable to this procedure, I should be glad to telephone Paul Daniels, Counselor of the Embassy in Bogotá, and Walter Donnelly, Counselor for Economic Affairs of the Embassy in Rio de Janeiro, outlining the situation to them and asking them to take it up immediately with the Colombian and Brazilian authorities. I feel that we should bring no further pressure on such authorities other than to advise them of what is about to happen and to give them an opportunity, should they so desire, to take action to prevent it. I fear that the situation may have gone so far that Justice Byrnes and Judge Vinson may be either unwilling or unable to give us the time to make another approach to the Colombian and Brazilian Governments. I believe, nevertheless, that we should ask them to do it, if it is possible.

EDWARD G. CALE

561.333D3/3-1945

*Memorandum by the Acting Chief, Commodities Division (Cale)*⁹

[WASHINGTON,] March 19, 1945.

The following is a summary of a somewhat longer memorandum I prepared over the weekend concerning some of the factors that should be considered in connection with the request of the coffee producing countries for an increase in coffee ceiling prices:

1. Our coffee supply situation is now so grave that we may not be able to avoid a return to coffee rationing, regardless of the decision on

⁶ Newspaper columnist.

⁷ Fred M. Vinson, Director of Economic Stabilization.

⁸ James F. Byrnes, Director of War Mobilization.

⁹ Addressed to Assistant Secretary Clayton and to his Deputy, Edward S. Mason.

coffee prices. Granting the increase would to some extent improve our chances of avoiding rationing. Granting the increase without obtaining some assurance from the Governments of the producing countries that supplies will continue to be forthcoming at those prices would probably give only temporary relief from our supply difficulties. There are reasons for believing that the Governments of Brazil and Colombia may be in a position to assure supplies for one or two years at new prices mutually agreed upon. Whether or not they are prepared to do so and whether they would be able to act with the required degree of toughness to fulfill the commitment, if made, are questions the answers to which are uncertain.

2. Although the Office of Price Administration is in a better position than I to judge the possible harmful effect of an increase in coffee ceiling prices on the stabilization program, the following are reasons for believing that officers of that agency may have over-emphasized the danger:

(a) The cost of coffee is an almost insignificant item in the cost of living, its weight in the cost of living index being .6 of 1 percent.

(b) The stabilization program is still considered to be reasonably well intact in spite of substantial increases in the prices of domestically-produced agricultural and other products and of various adjustments that have been made in certain types of wages.

(c) The list of items for which an increase in coffee prices is most likely to set a precedent is believed to be relatively small. It consists of staple agricultural commodities which are not produced in the United States but which are imported from countries that have been less successful than the United States in controlling inflation. It is believed to be the area in which we have most rigidly applied price control and our policy with respect to the prices of such products should perhaps be reexamined anyway.

3. It is impossible to obtain accurate figures on the cost of producing agricultural products in the other American republics. The Office of Price Administration would in any event be forced to refuse to increase its maximum prices on the sole basis of increased production costs in foreign countries, since many of them do not adequately control prices. Coffee production is perhaps still carried on in most countries on a basis that does not involve plantation owners and small farmers in a loss. However, the former are perhaps not now able to pay wages as high as those paid in certain other industries whereas money wages and money costs of production have little meaning to the latter since they would find it difficult to shift to any other industry and since they and the members of their families generally furnish most of the labor used in the growing of coffee.

4. As a result largely of inflation in the coffee producing countries real income from coffee production is now much lower than when the present coffee price ceilings were established. A memorandum recently received from the Colombian Foreign Office claims, on the basis of statistical information it contains, that the real income of Colombian coffee growers is now lower than at the time the Inter-American Coffee Agreement was negotiated in 1940.

5. Although unprofitable prices extending over a long period of years could reduce future coffee production and eventually result in very high prices, the argument of the producing countries that present ceiling prices are in fact now impairing future production is believed to be greatly over-emphasized. In this connection it should be remembered that from five to seven years must elapse between the time new trees are planted and the time they begin to bear, that they do not reach maximum production until the 12th to 15th year, that they usually continue bearing for many years more, and that coffee prices up until a year or so ago undoubtedly were profitable.

6. Parity for Santos 4 coffee is 22.13 cents per pound, using the 1909 to 1914 base, as compared with a ceiling price of 13.375. Prices of agricultural commodities in this country have, on the average, increased by 39 percent since coffee prices were frozen in December 1941.

7. Coffee prices for Africa coffee, which is now used to supply the European market, are much above the equivalent of the United States ceilings for such coffee. For example, Ethiopian coffee is now selling for 7 or 8 cents per pound above the ceiling established for it by the OPA¹⁰ in 1941.

8. European countries appear in a few isolated cases to have paid more than our ceilings for small quantities of coffee in Latin America. If we continue to maintain our ceilings and the producers continue to refuse to sell at those prices, it is likely that such cases will become more numerous.

9. The outlook is for more than enough coffee to supply world requirements for the next five years, even allowing for a reasonably rapid restoration of European consumption and even assuming the continuation of the very low level of Brazilian production of the past four years. The probability is that the present stock of 27,000,000 bags of Brazilian coffee (not counting the current crop) will be increased.

10. The Brazilian Government has just announced a plan for subsidizing the exportation of coffee as is stated in the following tele-

¹⁰ Office of Price Administration

gram of March 17 (No. 855)¹¹ from the American Embassy in Rio de Janeiro:

Among measures approved by recent Interstate Coffee Conference¹² (re Embassy's telegram No. 846 of March 16¹¹) was subsidy on coffees of 1944-45 crop ranging from 65 cruzeiros per bag on São Paulo and nearby coffees down to 15 cruzeiros for Bahias and Pernambucos; parallel bonus for coming 1945-46 crop; and export bonus ranging from 36 to 18 cruzeiros on past crop coffees. Also one year loan to growers without interest in amount of 60 centavos per tree. Full text of agreements reached being forwarded air mail.¹³

Santos market easier, 27,000 bags registered March 15, and good prospects for early handling of prospective army business.

In view of the foregoing, particularly item 10, it is doubted that the Department will wish at this time to urge an increase in coffee ceiling prices. If the agencies of the Government in charge of procurement activities wish to have prices increased as a means to obtaining supplies we should, of course, not object. It is believed that we should, in any event, explore fully the possibility of working out with the interested agencies of the Government a program with respect to a ceiling for coffee and for other imported agricultural commodities that is in so far as possible in keeping with Resolution XV of the Mexico City Conference.¹⁴

EDWARD G. CALE

811.5017/3-2245: Circular telegram

*The Acting Secretary of State to the Diplomatic Representatives in Certain American Republics*¹⁵

WASHINGTON, March 22, 1945—midnight.

The request for an increase in coffee ceiling prices addressed to the Secretary of State in Mexico City on March 8 by representatives of the coffee producing countries of this Hemisphere has been denied on the same basis as was the petition of the Inter-American Coffee Board

¹¹ Not printed.

¹² The Brazilian Interstate Coffee Convention which met in February and March, 1945, and indicated support for government subsidies and interest-free loans for the coffee industry.

¹³ Embassy report 181, March 19, 1945, not printed.

¹⁴ For documentation concerning this Conference, see pp. 1 ff. For text of Resolution XV, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945*, pp. 52-53. In this Resolution the Conference approved a statement that criteria analogous to those applied to ceiling prices of products of domestic industries should be applied to the products of the American nations, and that price ceilings should bear an appropriate relationship to costs of production.

¹⁵ Sent to the diplomatic representatives in the American Republics except Argentina, Bolivia, Chile, Panama, Paraguay, and Uruguay.

last November.¹⁶ Notes to this effect were delivered today to Washington Embassies of these countries. Full texts of the request and reply were released to press today¹⁷ and will be transmitted to you immediately by airgram. If local press reports are garbled, please release texts.

Because of the recent decline in sales resulting from wide knowledge among the coffee trade regarding this request and because of general dissatisfaction in recent months with United States ceiling prices, civilian stocks of coffee on hand here February 28 were the lowest since December, 1943; Army inventory is extremely low; and the volume of Army and civilian coffee purchased but not entered is also very low.

For foregoing reasons it is highly important that you take all possible steps with a view to stimulating sales.

GREW

561.333D3/4-445: Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in Certain American Republics

WASHINGTON, April 4, 1945—8 a. m.

The Department has informed the Inter-American Coffee Board that this Government is agreeable, in principle, to continuation Inter-American Coffee Agreement. However, in view of changed conditions since the Agreement was first negotiated and because maintenance quotas is apparently not required by the present international coffee situation, we have suggested that the Agreement be continued for 1 or 2 years subject to the following conditions: (1) that the quota provisions of the Agreement be inoperative except under emergency conditions when they might be placed in operation by unanimous vote of the Board, and (2) that the Board undertake during the renewal period to prepare a thorough analysis of the world coffee situation and formulate recommendations, for the consideration of the governments now participating in the Agreement and of others that might be interested in participating in a revised agreement, regarding the type of international cooperation that appears most likely to contribute to the development of sound, prosperous conditions in international trade in coffee.

With the exception of Haiti and Ecuador, all governments participating in the Agreement have now communicated their views to the

¹⁶ See *Foreign Relations*, 1944, vol. VII, pp. 162-165.

¹⁷ For texts of request and reply, see Department of State *Bulletin*, March 25, 1945, pp. 512-513.

Board regarding continuation. There is no unanimity opinion among the producing countries as to form of renewal, although all so far agree on the principle of renewal. Some of the countries propose Agreement be continued with modifications in their own quotas and others are willing to continue Agreement unchanged.

At the meeting of the Board on April 3, it was agreed (1) to extend for 15 days the period during which the remaining governments might notify the Board of their decisions regarding continuation; (2) that the delegates to the Board would communicate to their governments the replies received by the Board, calling especial attention to the proposal suggested by the United States with a view to ascertaining whether the governments are agreeable to continuation on this basis; and (3) that the Board will meet again on April 18 to ascertain whether it is possible to reach agreement within the Board as to continuation on the basis suggested by the United States, and, if not, to consider future procedure.

Additional details will be forwarded airmail.

This message is being sent as a telegram to AmEmbassy, Rio de Janeiro, Bogotá, Quito, San José, San Salvador, Tegucigalpa, Managua, Lima and Caracas; and as an airgram to AmEmbassy, Ciudad Trujillo, Guatemala, Port-au-Prince, Mexico, D.F., and Habana.

ACHESON

561.333D3/5-1745 : Telegram

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

RIO DE JANEIRO, May 17, 1945—5 p. m.

[Received 11:30 p. m.]

1557. For Clayton. Acting Foreign Minister¹⁸ called me today and read a note from Souza Costa¹⁹ requesting the Foreign Office to take up at once with AmEmbassy the possibility of the urgent protest of the Brazilian Govt against the proposed revision of the Inter-American Coffee Agreement. . . .

Full text of Souza Costa's note²⁰ will follow by airmail; but the substance is that the coffee agreement without maintenance of quotas is wholly useless to Brazil. It merely means that other countries will take a greater share. The Brazilians do not believe that Europeans will buy coffee.

¹⁸ Pedro Leão Velloso.

¹⁹ Arthur de Souza Costa, Minister of Finance.

²⁰ Copy of note transmitted to the Department in despatch 1404, May 18, 1945, not printed.

Expecting this very urgent protest we have been going into the situation here. Our conclusions are first, that the coffee agreement without the quota agreement means less than nothing to Brazil if surplus conditions recur; second, that Brazil cannot afford to risk losing her permanent traditional market in the US on the assumption that Europe will buy coffee in sufficient quantities to make quotas unnecessary; third, that future European buying can be determined by experience and not by preconceived hypothesis. By consequence this Emb urgently recommends that reconsideration be given to the US position and our delegate to the Board ²¹ be instructed not to oppose the Brazilian view that the existing quota system be continued at least for another year. During this additional period further consideration could be given to possible future revisions when more facts are available regarding European buying and supply and consumption in general.

In all fairness to Brazil Dept should remember following points.

1. We have fought out the ceiling price issue with vigor and have so far resisted Brazilian demands at the expense of much unfavorable newspaper publicity and apparent loss of good will on the part of the Brazilians.

2. The traditional Brazilian participation in the US market was seriously prejudiced during 1942 and 1943 because of our shipping requirements and simultaneous expansion of quotas to permit other coffee producing countries to supply US market requirements to a much greater extent than before.

3. Under our existing price ceiling on green and roasted coffee, Brazilian coffee suffers a relative disadvantage in the US market as compared with the mild coffees.

4. Since mid-1944 Brazilian Govt has maintained the flow of coffee at ceiling prices in face of tremendous planter objections; to date it has supplied Santos exporters almost 5 million bags of DNC ²² coffees for sale to US civilian market and Armed Forces.

5. A coffee subsidy plan has been worked out recently with co-operation of Souza Costa involving disbursement roughly 75 million dollars in subsidy payments to make up difference between American ceiling price and stated cost of production, approval of which by President Vargas is pending.

6. The Brazilians feel that action taken by US Govt in flatly rejecting a price readjustment on coffee after Mexico City Conference was in violation of the resolution approved by that Conference regarding price controls.²³

7. Our cotton export subsidy is considered locally as a serious blow to Brazilian economy and has further weakened faith in our expressed policies of economic cooperation.

²¹ Edward G. Cale.

²² Brazilian National Coffee Department.

²³ See footnote 14, p. 356.

8. Finally, belief in inter-American cooperation is just now at a low ebb owing to San Francisco developments.²⁴

It would be helpful to me in relations with Foreign Office and Ministry of Finance if Department could telegraph its reaction to foregoing and possibilities of meeting Brazilian views in regard to coffee.

BERLE

561.333D3/5-1745 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, May 24, 1945—2 p. m.

1309. From Clayton. Embs 1557, May 17. After giving full consideration Embassy and Brazilian views and after reviewing reasoning behind our announced position, we believe it inexpedient alter position now to espouse Brazilian for following reasons:

1. Continued existence Agreement in any form might be jeopardized thereby. Colombia and certain other countries strongly opposed Brazilian position. Colombia threatened withdraw Agreement year ago on same point of quota apportionment.

2. Our proposal is more or less compromise between Brazilian and Colombian positions.

3. Domestic trade almost unanimously opposed continuation Agreement present quotas.

4. Record does not indicate serious Brazilian concern with maintaining share U. S. market otherwise large private sales would have been consummated during last year.

Regarding point 2, contrast Brazilian position with Colombian which definitely opposes putting present basic quota proportions back into effect under any circumstances. Colombia favors realignment quotas now (to be put into effect after October 1) or if this is impossible eliminating present quotas altogether. Our position would suspend quotas for 1 or 2 years but would permit reimposition basis present quota apportionment under emergency conditions. Meanwhile need for new broader agreement would be studied. Thus we occupy middle position. Our delegate at Coffee Board meeting April 16 also stated he would be glad to refer to this Government any proposal on which producing countries would agree. They have reached no agreement. We believe preferable U. S. as principal consuming nation maintain sideline position rather than become involved in crossfire of producing countries not in agreement among themselves.

²⁴ United Nations Conference on International Organization held at San Francisco, April 25–June 26, 1945. For documentation on the Conference, see vol. I, pp. 1 ff.

Regarding point 4, we appreciate greatly cooperation Brazilian Government in making DNC coffee available but attitude private sellers indicates unconcern over competitive position Brazilian coffees here. They have largely neglected opportunity recapture share U. S. market since 1943. During large part of time since then we have been in supply difficulties and have frequently pointed out to Brazilian Government need of freer selling. Furthermore recent upgrading Brazilian coffee so notorious that reputation suffered. Trend toward milds also accentuated by high money income here and habits of buying higher priced coffees built up during rationing. This trend might have been reversed in last year by selling quality Brazilians at attractive prices.

You may use such of above arguments with Brazilian Government as seem feasible.

Review following papers might permit better understanding of foregoing: circular instructions March 19 and April 17;²⁵ circular telegram April 4; instructions 7024, April 12; 7117, May 5; 7138, May 10; and 7148, May 14.²⁶ These contain background considerations taken account in approval at highest levels of U. S. position renewal Agreement and also occurrences at recent Coffee Board meetings. [Clayton.]

GREW

561.333D3/6-145: Circular telegram

*The Acting Secretary of State to the Diplomatic Representatives in Certain American Republics*²⁷

WASHINGTON, June 1, 1945—8 a. m.

On motion made by Dominican Republic delegate and approved by all delegates except Brazilian, Inter-American Coffee Board on May 29 voted emergency quota increase equivalent to 191.326 percent of the basic quotas. Increase takes effect June 1.

Quotas for current quota year as follows: Brazil, 17,793,318 bags; Colombia, 6,023,727 (adjusted for overshipment of 3,042 bags during 1943-44 quota year); Costa Rica, 382,652; Cuba, 153,061; Dominican Republic 229,591; Ecuador, 286,989; El Salvador, 1,147,956; Guatemala, 1,023,594; Haiti, 526,147; Honduras, 38,265; Mexico, 908,799; Nicaragua, 373,086; Peru, 47,831; Venezuela, 803,569. Total signa-

²⁵ Neither printed: the first instruction transmitted a memorandum on the attitude of the domestic coffee trade; the second reported on the April 3 meeting of the Coffee Board.

²⁶ Instructions not printed; they transmitted minutes of the Coffee Board.

²⁷ Sent to the diplomatic representatives in the American Republics except Argentina, Bolivia, Chile, Panama, Paraguay, and Uruguay.

tory countries, 29,738,585; total non-signatory countries, 679,207; total all countries, 30,417,792.

This emergency quota increase considered necessary by US delegate since quantity coffee likely be supplied by coffee producing countries under old quotas might have been insufficient to meet demands armed forces and civilian US. Furthermore, it was considered desirable in view uncertainty future shipping availabilities for some coffee producing areas during period redeployment to administer provisions coffee agreement with all possible flexibility so that maximum use might be made all shipping which might become available for transporting coffee US.

GREW

561.333D3/6-1445: Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in Certain American Republics ²⁸

WASHINGTON, June 14, 1945—7 p. m.

With delegates of Brazil and Venezuela dissenting, Inter-American Coffee Board at June 13 meeting passed resolution approving US position on renewal Coffee Agreement (Depts circular telegram April 4, 1945) for 1-year period with following change: a 95 percent (instead of unanimous vote as proposed by US) vote of Board would be required to put quotas into operation under emergency conditions. This change would allow either US, Brazil, Colombia or combination of two other countries to block re-institution of quotas.

GREW

811.5017/9-2945

The Chairman of the Inter-American Coffee Board (Cale) to the Acting Secretary of State

WASHINGTON, September 29, 1945.

MY DEAR MR. SECRETARY: As you know, the Inter-American Coffee Board addressed a request to the Office of Price Administration last November for an increase in United States coffee price ceilings. It was decided by the United States Government that granting the request at that time would seriously prejudice maintenance of the stabilization program and the request was denied.

Almost a year has now passed since this request was made. During this year the war has come to a victorious close in both Europe and

²⁸ Sent to the diplomatic representatives in Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Peru, and Venezuela.

Asia and the United States Government is at present relaxing wartime controls at a very rapid rate. The Board believes that the coffee price matter should now be reopened and has authorized me to write to you requesting that you intervene in its behalf with the appropriate United States authorities with a view to obtaining favorable action on coffee price ceilings at the earliest possible moment.

In making this request the Board believes it unnecessary to accompany it with a detailed statement of the reasons why it considers such action justified. Those reasons have already been presented to the responsible agencies of the United States Government by this Board and by various Inter-American conferences that have considered the problem and urged relief for the coffee producing countries. The coffee producers are in a precarious situation as the result of rising production costs in the face of price ceilings for coffee that have been rigidly maintained since they were established in 1941.

This Board believes that the statistical situation with respect to coffee is such that no long-sustained rise in coffee prices would occur if the coffee price ceilings were abolished altogether and no further action were taken to control them. I am authorized to state, however, that the Board would be glad to undertake to facilitate the consummation of arrangements by the principal coffee-producing countries which it is believed would stabilize coffee prices at reasonable levels in the event the United States authorities are prepared to remove coffee from price control.

As you are aware, if it had not been for measures taken by the Governments of these countries to supply coffee to the Armed Forces and the civilian population of the United States, notwithstanding the adverse action on the Board's previous request, coffee imports into the United States would not have reached the record levels which will be attained in the twelve months period that will end on September 30. The Board is convinced, however, that further measures by such governments under present conditions are neither practicable nor desirable and urges that prompt action be taken to remove the present ceilings in the interest of the coffee producers, the coffee trade and the consuming public.

Sincerely yours,

EDWARD G. CALE

811.5017/11-2045: Circular telegram

*The Secretary of State to the Diplomatic Representatives in Certain American Republics*²⁸

WASHINGTON, November 20, 1945.

Following decision on coffee ceiling prices announced Nov. 17 by OWMR²⁹ after extensive consultation top levels

(1) Subsidy 3 cents per pound to be paid US importers on maximum 6 million bags green coffee shipped from foreign ports between Nov. 19, 1945 and March 31, 1946 for consumption in US. Importers to participate in subsidy in proportion to their WFO-63 import allocations and in accordance with inventory regulations.

(2) Effective Nov. 19, buying price ceilings will be raised 3 cents per pound on coffee eligible for subsidy only for duration of subsidy.

(3) No ceiling price increase for green or roasted coffee in US.

US stabilization policy and prospective world coffee supply situation basic considerations in decision that increase or removal of ceilings requested by producing countries cannot be granted.

Full details follow by air.³⁰

BYRNES

²⁸ Sent to the diplomatic representatives in the American Republics except Argentina, Bolivia, Chile, Panama, Paraguay, and Uruguay.

²⁹ Office of War Mobilization and Reconversion.

³⁰ Circular airgram, November 30, 1945, 12:20 p.m., not printed, but see 10 *Federal Register* 14450.

BOUNDARY DISPUTE: ECUADOR AND PERU

[For previous documentation on this subject, see *Foreign Relations*, 1941, volume VI, pages 212 ff. For protocol between Ecuador and Peru regarding peace, friendship, and boundaries (signed also by representatives of the United States, Argentina, Brazil, and Chile), signed at Rio de Janeiro, January 29, 1942, see Department of State Executive Agreement Series No. 288, or 56 Stat. (pt. 2) 1818. Documentation for 1945 regarding the work of the Mixed Demarcation Commission, the Brazilian initiative in attempting to bring about a solution of differences as to the demarcation of the boundary line, and the proposal to assign a United States military airplane for aerial survey, is not published.]

ARGENTINA

PROBLEMS ARISING IN CONNECTION WITH THE RECOGNITION OF THE FARRELL GOVERNMENT FOLLOWED BY THE DETERIORATION OF RELATIONS WITH THAT GOVERNMENT¹

711.35/1-245

*Memorandum Prepared in the Department of State*²

WASHINGTON, January 2, 1945.

Present United States Policy Regarding Argentina.

"The United States has determined not to establish relations with Argentina until its government demonstrates by unqualified acts its intention of observing its inter-American obligations and of abandoning its threat to inter-American peace."

Possible Courses for Argentina to Follow:

In the light of the proposed conference in Mexico,³ Argentina may react in one of the two following extreme forms.

A. Further aid and comfort to the enemy, a withdrawal from the Pan American Union, followed by aggressive measures against her neighbors to gain their support.

B. A drastic change in internal policy, followed by steps designed to qualify her for readmission to the American family of nations.

Recommended United States Policy in the event that Argentina pursues Course (A).

1. The United States should be prepared to give military and economic guarantees to each of Argentina's neighbors.

2. Fullest diplomatic activity in support of Hemisphere unity and Argentina's isolation should be given.

3. Determine economic and financial policy towards Argentina in cooperation with the British and the other American Republics, which will give maximum support to the war effort and our political objectives.

¹ For previous documentation on this subject, see *Foreign Relations*, 1944, vol. VII, pp. 252 ff.

² The following notation appears at end of memorandum: "OK. FDR."

³ The Inter-American Conference on Problems of War and Peace, February 21-March 8, 1945. For documentation concerning the Conference, see pp. 1 ff.

Recommended United States Policy in the event that Argentina pursues course (B).

1. That the United States be prepared to enter into consultation with the other American republics with the end in view of recognizing Argentina as soon as the following steps are taken :

a. Establishment of an interim Government as provided for by the constitution which demonstrates by the following action its intention to observe Argentina's inter-American obligations and to abandon its threat to inter-American peace.

- (i) Reaffirmation of break with Axis, leading to declaration of war.
- (ii) Dissolution of Axis organizations, elimination of Axis interests in black-listed firms and jailing of Axis individuals.⁴
- (iii) Termination of the state of siege and prompt action to restore the Argentine Constitution and the calling of elections thereunder.
- (iv) Adequate guarantees that Argentine Government officials will cooperate fully in the interchange of information and the taking of appropriate measures against the Axis and Axis sympathizers.

835.00/1-445 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, January 4, 1945—5 p. m.

[Received 7:33 p. m.]

13. Events principally of external nature appear to have slowed down deterioration of Government's internal position reported in despatch 16317, October 7.⁵ Government is increasingly unpopular but its army support has considerably strengthened through greater measure of unity being achieved among officers, especially at Campo de Mayo, on basis of belief, shared by many civilians, that political and military difficulties being experienced by Allies will result in decrease of pressure from abroad as prospect of early termination of war diminishes. These difficulties include German counter offensive, British situation in Greece, British-American disagreement over Sforza incident⁶ American press criticism of British policies of Southern Europe, and attacks on United States by such British organs as London *Economist* and *Yorkshire Post*.

⁴ For documentation on United States concern with respect to Axis activity in Argentina, see pp. 437 ff.

⁵ Not printed.

⁶ For documentation relating to this subject, see *Foreign Relations*, 1943, vol. II, pp. 402 ff. and *ibid.*, 1944, vol. III, pp. 996 ff.

Increased confidence and assertiveness are noted on part of Government officials. Personal observation and rumors indicate Government contemplating stiffer attitude toward U.S.

It seems Government no longer has much interest in proposal for meeting of Foreign Ministers.⁹ Usually well informed source reports Argentina would have withdrawn request for meeting had Pan American Union Board met yesterday and will now do so at meeting on January 11.

Annual promotions and changes in army commands soon to be announced should throw interesting light on situation within Government.

REED

835.00/1-1845: Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, January 18, 1945—9 p. m.
[Received 11:28 p. m.]

110. Have just seen Chilean Chargé¹⁰ who had previously had long conversation with Ibarra García¹¹ who is now actually running Foreign Office. Sepúlveda said he had told Ibarra that he was going to see me later and Ibarra authorized him to inform me of substance of their conversation in which according to Chilean, Ibarra stated that Government had now rid itself of most pro-Nazis and extreme nationalists in positions of authority . . . and that others would follow; that *Cabildo* and *El Federal*¹² had been permanently closed; that the important German firms were being intervened and controlled; that in short everything was being done that had not already been done to convince the United States and other American countries that Argentina was doing all that could reasonably be expected of her to cooperate. He hoped that some friendly notice of these efforts might be forthcoming from Washington.

With respect to elections he gave it as his personal opinion that this was a domestic problem and pointed out that in various conversations which had taken place when Ambassadors were here elections had never been mentioned, emphasis having been laid exclusively upon performance by Argentina of acts relating to hemispheric defense and continental security. It would he felt be impossible to call or announce elections before the meeting of Foreign Ministers in Mexico

⁹ For documentation on this Argentine proposal, see *Foreign Relations*, 1944, vol. VII, pp. 27 ff.

¹⁰ Alberto Sepúlveda Contreras.

¹¹ Argentine Under Secretary for Foreign Affairs.

¹² Newspapers of pronounced Axis viewpoints.

City without giving the impression of outside pressure. Furthermore in view of the present unsettled political conditions if elections were to be held they could not be orderly unless controlled in some manner, otherwise there might be a dozen or more candidates and no end of agitation.

Ibarra also told Sepúlveda he would like very much to have a friendly chat with me in the near future. I did not commit myself to Sepúlveda one way or the other but if the Department has no objection I think it might be useful for me to meet Ibarra casually in Sepúlveda's house within the next few days.

Sepúlveda called at the Embassy shortly after I had left him and said that Ibarra had telephoned him and asked him to tell me he had hoped nothing he had said to Sepúlveda for repetition to me would be used in any way to embarrass him with the new Acting Minister.¹³

Foreign Office announced this evening that Luís Podesta Costa¹⁴ had been called home from Rio and Sepúlveda is confident that he will be offered the portfolio of Foreign Affairs. Peruvian Chargé also believes Podesta Costa is likely candidate. He would be an excellent selection from our point of view.

Repeated to Montevideo, Rio and Santiago.

REED

835.01/1-1945 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, January 19, 1945—3 p. m.
[Received 4:37 p. m.]

111. Recent events indicate that Perón¹⁵ is in full control of situation. He has to all appearances successfully defied the ultra Nationalists and has ousted Peluffo¹⁶ who dared to oppose him and seemed to have some support among the military. If Perón is to be believed, he got rid of Peluffo because latter was pro-Nazi. He has not even thought it worth while to answer Peluffo's contention that he resigned because of difference of opinion over when and how elections should be held. Measures already taken and others probably being contemplated can only be interpreted as last-minute drive by Farrell,¹⁷ Perón to impress American Governments before Foreign Ministers

¹³ César Ameghino.

¹⁴ Argentine Ambassador to Brazil whose arrival in Buenos Aires was reported on January 18 and whose return to Rio de Janeiro was reported on January 29, 1945.

¹⁵ Col. Juan D. Perón, Vice President, Minister of War, and Minister of Labor.

¹⁶ Gen. Orlando Lorenzo Peluffo, Minister for Foreign Affairs, whose resignation was reported on January 15, 1945.

¹⁷ Gen. Edelmiro J. Farrell, President of Argentina.

meet at Mexico City. In fact, it seems highly probable that Department should be prepared to face a situation in which the Farrell government can demonstrate an adequate if belated compliance with practically all important commitments and in which only lack of confidence in and unwillingness to deal with Farrell, Perón and Company can be adduced as the real reason for continued non-recognition.

Repeated to Montevideo, Rio and Santiago and Lima.

REED

835.00/3-1645

The Chargé in Argentina (Reed) to the Secretary of State

[Extract]

No. 17,542

BUENOS AIRES, March 16, 1945.

[Received March 26.]

SIR: I have the honor to report the following miscellaneous developments:

Political

Political developments during the past week principally revolved around the declaration regarding Argentina approved at the Mexico Conference.¹⁸ The Army groups controlling the Government met immediately following the termination of the Conference to discuss what Argentina's next step would be. An observer in close touch with these groups reports that it was decided that a declaration of war against the Axis is unavoidable but that a strong disinclination to assume the responsibility for such a step developed among the officers. In discussing to whom the buck could be passed, the group contemplated a plebiscite, for which no constitutional machinery exists; the Congress, which does not exist; and a "Council of Notables" to be made up of outstanding men in civilian life. About the same time the Under Secretary of Foreign Affairs was telling an Associated Press reporter in confidence that probably the National Defense Council (see the Embassy's despatch No. 15,104 of June 16, 1944, entitled "Creation of National Defense Council"¹⁹) would be called upon to decide the question. On March 14th the Embassy was informed by a

¹⁸ In Resolution LIX, the delegates expressed regret that Argentina had not found it possible to take steps which would permit its participation in the Inter-American Conference on Problems of War and Peace, recognized that Argentina was an integral part of the Union of American Republics, and hoped that Argentina might adhere to the declarations of the Conference. For text of Resolution, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 107.

¹⁹ Not printed.

usually reliable source that the previous night a project embodying a declaration of war had been drawn up and would be submitted to the Council the next day. Among the important Government meetings held on the 15th was one of the Defense Council but the Embassy so far has no information on what transpired during it.

Meanwhile the newspapers and official circles are making a good job of creating an optimistic atmosphere strongly reminiscent of that which prevailed for a while after Peluffo requested the Pan American Union to call a meeting of Foreign Ministers. As a result, the feeling is widespread that a routine declaration of war against the Axis and the signing of the United Nations Declaration²⁰ and the Final Act of Mexico will automatically restore Argentina to a full place in the American family of Nations.

REED

740.0011 EW/3-2745 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, March 27, 1945.

[Received March 27—5:40 p. m.]

570. Farrell just informed press Argentina has declared war against Axis Nations. Text of pertinent decree or decrees will be made public later this afternoon.

REED

835.00/3-2945

The Argentine Chargé (García) to the Director General of the Pan American Union (Rowe)

WASHINGTON, March 28, 1945.

MR. DIRECTOR GENERAL: With reference to the communication of His Excellency, Señor Don Ezequiel Padilla,²¹ President of the Inter-American Conference on Problems of War and Peace, received through the Pan American Union with a note of the Director General²² dated March 14, I am pleased to inform you:

First: That the Government of the Argentine Republic accepts the invitation extended to it by the twenty American Republics that participated in the Inter-American Conference on Problems of War and Peace, and adheres to the Final Act of the Conference;

²⁰ Declaration signed January 1, 1942, *Foreign Relations*, 1942, vol. 1, p. 25.

²¹ Mexican Minister for Foreign Affairs.

²² Leo S. Rowe.

Second: That in order to identify the policy of the Nation with the common policy of the other American nations and associate itself with them against threats or acts of aggression of any country against an American State, the Government of the Nation yesterday declared a state of war between the Argentine Republic on the one hand and the Empire of Japan and Germany on the other;

Third: That in accordance with the position adopted, there shall be taken immediately all emergency measures incident to the state of belligerency, as well as those that may be necessary to prevent and repress activities that may endanger the war effort of the United Nations or threaten the peace, welfare or security of the American Nations.

For appropriate action I transmit herewith the text of the decree issued by the Executive Power²³ which pertains to the above-mentioned measures.

I beg to remain [etc.]

RODOLFO GARCÍA ARIAS

835.01/3-3145: Circular telegram

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

WASHINGTON, March 31, 1945—4 p. m.

The following is for your secret information but you should bear it in mind in any discussions regarding the Argentine situation which you may have with officials of the country to which you are accredited.

At a meeting of the Secretary's staff today it was agreed that if everything continued to proceed in a satisfactory manner recognition should shortly be extended to Argentina by the other American republics, probably on April 9.

Following the staff conference Mr. Rockefeller²⁴ met with the Ambassadors of Venezuela, Ecuador and Chile²⁵ for final drafting of the proposed resolution for the Pan American Union (see circular telegram of today,²⁶ with text). At that time and when he met later with the Ambassador of Brazil and the Chargé d'Affaires of Colombia²⁷ he discussed and reached informal agreement that the Governments would commence to exchange views regarding reestablishment of relations with Argentina after the signature by the Argentine Government of the Final Act of Mexico, but that none of the Governments would formally reestablish relations before April 9. It was understood between them that if everything continued to proceed satis-

²³ Not printed.

²⁴ Nelson A. Rockefeller, Assistant Secretary of State.

²⁵ Diógenes Escalante, Galo Plaza, and Marcial Mora, respectively.

²⁶ Reference presumably is to the circular telegram dispatched on April 3, *infra*.

²⁷ Carlos Martins and Alberto Vargas Nariño, respectively.

factorily the present thinking was that each nation individually would reestablish its relations on April 9.

In any talks which you may have with appropriate officials of the Government to which you are accredited you should emphasize this Government's conviction that no American republic should recognize Argentina before April 9 and that it would be regrettable if any American republic should recognize unilaterally.

STETTINIUS

835.01/4-345: Circular telegram

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

WASHINGTON, April 3, 1945—8 a. m.

Re Department's circular telegram, March 31, 1945. At my staff meeting on March 31, it was further agreed that recognition of Argentina would not commit us in any way to sponsorship of Argentina's adherence to the United Nations Declaration until there was agreement that from a world, as well as a hemispheric point of view, it was warranted.

For your background information, at a meeting of Ambassadors of twelve leading other American Republics, called by the Acting Minister of Foreign Affairs of Brazil,²⁸ at Blair House on March 15, agreement was reached upon the following program of action in pursuance of the Mexico City resolution on Argentina:

"Articles 1, 3, 5 and 6 by their nature and purpose constitute a single declaration.

It shall be acknowledged that the Argentine Nation has accepted the invitation implied in the above articles when her government shall have:

(a) Declared by decree the existence of a state of war with Germany and Japan;

(b) Expressed conformity with the principles and declarations of the Final Act and complied with such principles and declarations;

(c) Signed the Final Act of Mexico City at the Pan American Union.

The Argentine Government will then:

(a) Be recognized by the Governments of the American Nations and

(b) The United States as the depository state will request that Argentina be invited to sign the Joint Declaration of the United Nations."

²⁸ Pedro Leão Velloso.

The Embassy in Buenos Aires reports that the Argentine Government issued two important decrees on April 1. The first calls for special registration within 10 days of all nationals of enemy countries over 14 years of age and also the registration within 30 days of all of those of enemy origin who have been naturalized as Argentines. The decree also calls for the surrender of radios and restricts freedom of movement and communication of such persons. The second is a long and involved decree relating to the control of enemy firms. Its provisions have not as yet been adequately analyzed.

The information contained above, except that referring to my staff meeting, may be used for background purposes.

E. R. STETTINIUS, JR.

835.01/4-445 : Circular telegram

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

WASHINGTON, April 4, 1945—9 a. m.

The procedure which this Government proposes to follow in connection with the question of recognizing the Argentine government was set forth in circular telegrams of March 31 and April 3.

The Argentine government has taken the following steps in compliance with the principles and declarations of the Final Act of the Mexico City Conference:

1. Declaration of state of war with Japan and Germany.
2. Adherence to Final Act of Mexico City (signature took place on April 4, 12 noon).
3. The interned crew members of the *Graf Spee*²⁹ have been made prisoners of war.
4. Suspension of 15 newspapers, including *Alianza*, *Vispera*, 3 Japanese, 3 Hungarian, and 7 German newspapers. (Note: *Cabildo* and *El Pampero* had been suspended shortly before the Mexico City Conference).
5. Internment of Japanese diplomatic and consular officers. Although this measure has not been effectively implemented, it is reported that they are to be interned at Córdoba.
6. Blocking of Axis funds.
7. Decree for special registration within 10 or 20 days of all nationals of enemy countries over 14 years of age and also the registration within 30 days of all those of enemy origin who have been naturalized as Argentines. The decree also calls for the surrender of firearms and radios and restricts freedom of movement and communication of such persons.
8. Decree taking over assets of Axis firms. This decree provides for the control by the Council of Administration of the assets of Axis

²⁹ For documentation relating to United States interest in this scuttled German warship, see *Foreign Relations*, 1939, vol. v, pp. 85 ff.

individuals or firms and the appointment of interventors. Control may be extended to firms with Axis links and to assets of subversive individuals or firms, whatever their nationality. Assets are to be held to pay possible war damages.

9. Imprisonment of Fritz Mandl³⁰ and seizure of his properties.

In the Department's opinion, the evidence given above indicates that Argentina is taking appropriate steps to fulfill the terms of the Mexico City resolution as interpreted at the meeting held by Foreign Minister Velloso in Blair House. The Department, therefore, feels that as matters are proceeding in a satisfactory manner, recognition should be extended.

Please inquire immediately of the Foreign Minister of the country to which you are accredited whether he agrees with the above views. If he does, please ask whether his government would be disposed to extend recognition to the Argentine government on April 9. You should report by telegram April 5 whatever indication you may then have of the thinking of the government to which you are accredited regarding this matter. You should indicate that this Government contemplates individual, rather than collective, action on April 9 but you should emphasize its strong belief that recognition should be extended simultaneously by the non-recognizing American republics and that no recognition should be extended until a consensus is clearly established regarding recognition and the time thereof.

The above is repeated to Buenos Aires, Santiago, Asunción, La Paz and Quito for information only, but it may be communicated to the Foreign Minister except in Buenos Aires.

ACHESON

701.6235/4-445 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 4, 1945.
[Received April 4—7:16 p. m.]

636. Decree dated April 2 just released confiscating all real estate and goods and chattels of the German and Japanese States in Argentine territory except the houses and furnishings of the respective Embassies. Other decree of same date provides internment of diplomatic and consular representatives of Japan, their families and their administrative and domestic personnel of Japanese nationality.

³⁰ Austrian industrialist who transferred his activities to Argentina at the beginning of the war and appears to have had a powerful share in the control of IMPA (Industria Metalúrgica y Plástica Argentina), an Argentine firm on the U.S. Proclaimed List.

Secretariat of Aviation cancelled flying licenses and student pilot certificates of Japanese and German citizens.

REED

835.01/4-745 : Circular telegram

The Secretary of State to Certain Chiefs of Mission ³¹

WASHINGTON, April 7, 1945—9 a. m.

You may inform the Foreign Minister of the country to which you are accredited that the consultation which has been proceeding between the American republics has established a consensus that relations should be established with the present Argentine government. I shall therefore announce at my press conference at 12 noon Washington time on Monday, April 9th, that this Government has established normal relations with the present Argentine government. The American Chargé d'Affaires in Buenos Aires will deliver to the Foreign Minister a simple acknowledgment of a note from the Argentine Embassy in Washington dated March 14, 1944 ³² informing the Department of Farrell's assumption of the Presidency.

Please request the Foreign Minister to give no publicity to this Government's intentions prior to the hour set and suggest the desirability of his Government doing likewise with respect to its proposed course.

The above message is repeated to Moscow for information only.

To American Embassies in all other American republics, except Buenos Aires,

To London (for Winant, the Netherlands and Norway) Paris, Brussels, Rome, Belgrade, Athens, Ottawa.

STETTINIUS

835.01/4-645

Memorandum for the President by the Secretary of State

[WASHINGTON,] April 8, 1945.

Our consultations with the nineteen other American Republics have been completed and they are unanimous in their view that diplomatic relations should be resumed immediately with the Argentine Government. We intend to announce at noon, Monday, April 9, that we are taking the action contemplated in my message which you approved on April 6. Parallel action is being taken by the other American Republics.

³¹ See final two paragraphs of this telegram.

³² Not printed.

Braden's ³³ nomination as Ambassador to the Argentine is being submitted to you for approval.

E. R. S[TETTINIUS]

740.0011E.W./4-1345 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 13, 1945—5 p. m.

[Received 5:10 p. m.]

728. Foreign Minister ³⁴ showed me copy of telegram from García Arias dated April 6 reporting conversation with Rockefeller regarding possible availability of Argentine naval vessels for cooperation with our Atlantic Fleet similar to that being furnished by the British and Brazilian Governments. García Arias also reported Rockefeller said our Navy could not offer Argentines equipment or repairs but could furnish fuel, ammunition, and steel plates. Also reported Rockefeller as having indicated that it was desired initiative come from this end and that conversation was of an exploratory nature.

Ameghino seemed surprised that question had been posed in this manner and said he preferred to discuss it with me rather than through García Arias. He said that if what our Government had in mind was use by Argentine Government of its war vessels to patrol home waters and escort Argentine merchant vessels perhaps as far as Trinidad it was quite prepared to do this. However if we meant that Argentina should send her ships to engage in combat with the enemy that was another matter and was one which could not be considered until Argentine position vis-à-vis the United Nations had been reclarified.

In this connection he said he had no report from García Arias of latter's conversation with Warren ³⁵ referred to in Deptel 375, April 11, 7 p. m. ³⁶ Please instruct.

REED

³³ Spruille Braden.

³⁴ César Ameghino.

³⁵ Avra Warren, Chairman, State-War-Navy Subcommittee on Latin America ; Director of the Office of American Republic Affairs.

³⁶ Not printed.

711.35/4-2145 : Telegram

*The American Consular Representative at Antofagasta (Bonnet)
to the Secretary of State*

ANTOFAGASTA, April 21, 1945—5 p. m.

[Received 9 : 55 p. m.]

26. From Warren.³⁸ "The Minister of Marine of Argentina³⁹ yesterday in a letter to Vice Admiral Munroe⁴⁰ accepted the basis of collaboration between the two navies including exchange of bases, mutual information and the other points proposed by Admiral Munroe in his letter to the Minister. The Minister of War last night requested Generals Brett and Edwards⁴¹ to give all possible help in expediting an Argentine request to be transmitted through our Embassy at Buenos Aires today that staff conversations be initiated and American personnel made available for training program along the same lines as in other American Republics.

Vice President Perón with other ranking members of the Government, including the President's senior aide accompanied the members of the mission to the airport this morning for their 7 : 30 a. m. takeoff. General Brett and party are returning to the Canal Zone by way of Rio de Janeiro and the east coast.

The economic conversations that are to be carried on by McClintock⁴² next week with the Minister of Commerce⁴³ will be closely related to the organization of strict control measures over German banks and commercial houses." [Warren.]

BONNET

711.35/4-2345 : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Brazil, Colombia, Mexico, and Uruguay

WASHINGTON, April 23, 1945—3 p. m.

The following information is furnished for your guidance:

Warren, accompanied by John McClintock and Harry Frantz,⁴⁴ left Washington on April 17 for a 3-day routine visit to Buenos Aires in

³⁸ For explanatory information regarding Warren's trip to South America, see circular telegram, April 23, 3 p. m., *infra*.

³⁹ Presumably Rear Adm. Alberto Teisaire.

⁴⁰ Commander of the U.S. Fourth Fleet.

⁴¹ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command, and Maj. Gen. I. H. Edwards, respectively.

⁴² John C. McClintock, Special Assistant to Assistant Secretary of State Rockefeller.

⁴³ Gen. Julio A. Checci.

⁴⁴ Special Assistant to Assistant Secretary of State Rockefeller.

connection with the recognition and reestablishment of contacts, in view of the fact that the new Ambassador ⁴⁵ will not be able to arrive there for some time. General Brett accompanied them as a courtesy visit and Admiral Munroe arrived simultaneously also for a courtesy visit. Since this Government has newly established its relations, it was considered by us a perfectly normal thing for the representatives of the various agencies to make this visit in order to look over the situation and to deal with a great number of individual problems that result from the new situation. Warren left Buenos Aires on April 21 but McClintock will continue with economic studies there next week.

STETTINIUS

835.00/4-2445: Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 24, 1945.

[Received April 24—12:37 p. m.]

810. Government press office released last night the following communiqué:

"Scattered groups of persons characterized by their systematic opposition to the Government with regard both to internal matters and foreign policy with the evident intention of altering peace and order have succeeded during recent days in spreading confusion in public opinion, detracting from or twisting the reach and interpretation of measures adopted to assure the war effort, the cohesion and unity which must prevail in a nation which finds itself in a state of war.

In view of this, and in accordance with recent statement to the effect that the country will comply with its solemn undertakings with the United Nations no matter what the cost, the Government has ordered the arrest of a number of persons in order to establish their degree of responsibility as promoters or concealers of those frankly subversive activities in order to apply the proper sanctions to those responsible."

REED

810.20 Defense/5-845: Telegram

The Acting Secretary of State to the Ambassador in Argentina (Braden)

WASHINGTON, May 8, 1945—7 p. m.

516. Under date of April 20 the Department received a note from the Argentine Embassy ⁴⁶ stating that during the Warren visit it was agreed that it is advisable to exchange ideas between the Army staffs of the United States and Argentina with respect to matters of con-

⁴⁵ Spruille Braden, who arrived in Buenos Aires May 19, and presented his credentials on May 21.

⁴⁶ Not printed.

tinental defense. The Argentine note extends an invitation to representatives of the General Staff of the United States to visit Argentina for the purpose of exchanging ideas informally with members of the Staff of the Argentine Army on problems of continental defense.

The Department, in replying to the Argentine note, is stating that this matter will be taken up with the Argentine authorities by Ambassador Braden very soon after his arrival in Buenos Aires.

GREW

835.00/5-2945 : Telegram

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

BUENOS AIRES, May 29, 1945.

[Received May 29—8:10 p. m.]

1090. Foreign Minister in press conference this afternoon said re Secretary's statement yesterday⁴⁷ that Argentina will comply faithfully with all obligations "as it has done so far". Any doubts as to this arise from incomplete understanding of Argentina's situation. He continued briefly outlining revolutionary govt.'s program saying first stage of work which was process of purification, had been completed and second stage, return to normality, is now being undertaken. Govt. is transitory in character and democratic in inspiration. Any judgements to contrary are unjust as history will prove.

BRADEN

711.35/6-145 : Telegram

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

BUENOS AIRES, June 1, 1945—7 p. m.

[Received June 2—6:20 a. m.]

1124. My hour and quarter conversation alone with Perón today can be summarized as follows:

1. He turned on charm full force demonstrating utmost cordiality and endeavoring throughout to emphasize his complete frankness and dedication to developing friendliest possible relations every kind with U.S.

2. Four different times stated his entire lack of interest in politics, was serving only in emergency and completely outside his own technical field. In other words without making flat statement he indicated would not be candidate for Presidency.

3. He reviewed Argentine history to prove revolutions here occur only when govts fall due to own decrepitude. Emphasized revolu-

⁴⁷ See Department of State *Bulletin*, June 3, 1945, p. 1007.

tion 2 years ago was essential to clean up corruption every kind including electoral venality and he and other officers had been forced to take over as Army was only organization competent to do so.

4. He underscored at considerable length 20 years of mistaken policy which was now reversed by his and Govt's recognition that Argentina must cooperate with U.S. and become full fledged member of hemisphere system. Curiously enough he and others who had been accused of being our enemies and of Nazi sympathies were ones to establish this firm policy. First job had been to win people over to this program (I observed this had been completely done and he agreed). Next was to win over Army which had been extremely difficult because of German training and fact that every govt directive during last 20 years had been anti-U.S. A year ago declaration of war would have caused Govt.'s immediate fall. This was demonstrated by Ramírez breaking relations⁴⁸ causing his demise despite fact he had put nationalistic interventors in every province. He emphasized this had been long, arduous, extremely difficult requiring infinite patience (I remarked time consumed had left Argentina far behind other American Republics and therefore this country must meet its commitments under Chapultepec⁴⁹ with utmost speed in order to catch up and really become part of American family).

5. Perón analyzed why this country was 20 years behind the times in social programs with wages as low as 10 cents per day and average in many provinces 10 pesos per month. Likewise labor was leaderless, disjointed, and he had found it imperative to organize it effectively. This he had done and labor now was with him. Moreover, this had been essential to prevent Communists taking over. While wages now adequate some further increase might have to follow to insure people higher standard of living. (I agreed higher standard of living probably essential but warned he must be sure workers' conditions were improved by real wages and be careful not to enter vicious spiral of inflation. I felt justified in mentioning this since inflation in one country necessarily had repercussions in the others.) He agreed, although from what I have heard he has been doing precisely what I warned him against. He added that decree would be out within next few days putting ceiling over both prices and wages with a floor under latter.

6. He expressed alarm concerning Argentina's situation in 2 or 3 years when inevitable world crisis would occur. The war would have to be paid for by everyone including Argentina whose problems would

⁴⁸ For documentation relating to United States concern with this subject, see *Foreign Relations*, 1944, vol. VII, pp. 228 ff.

⁴⁹ The Inter-American Conference on Problems of War and Peace held its meetings at Chapultepec Castle, Mexico City, February 21-March 8, 1945. For documentation, see pp. 1 ff.

be particularly difficult in meeting such a crisis and at same time preserving higher living standards. (I observed one thing we had learned from the war was the essentiality of cooperation, for instance, many American Republics would have suffered grievously had it not been for the close economic cooperation between us; similarly while Argentina had prospered greatly during war, self evidently his fears might prove true unless she wholeheartedly cooperates with other American Republics and United Nations, in which event our common efforts with intelligence and hard work could enable all to win the peace as well as the war.)

7. He agreed with me reiterating his desire for closest cooperation with the U.S. I said he must understand as I had explained to Foreign Minister May 28 that criticism in my country did not emanate merely from Leftists but also from extreme Right to Left including Center and it was essential Argentina promptly meet its Chapultepec and other obligations to enable us closely to cooperate as we both desired. As I had told him last week, it was necessary for him to help me to help Argentina. I said certain Argentine obligations must be fulfilled forthwith since otherwise Nazi position here might be so entrenched as to gravely endanger hemisphere. I asked specifically that:

A. British and ourselves and perhaps French be given immediate access to German diplomatic and consular archives.⁵⁰ I described this situation fully, frankly stating what other American Republics had done and expressing hope Argentina would improve her position by following example of 14 other Republics and not delay as had 4 of them. (Perón expressed astonishment we had not received greater facilities from Foreign Ministry and promised to speak to President forthwith and arrange to our satisfaction.)

B. I said I had thought Foreign Minister's statement in respect of Secretary Stettinius' radio talk⁵¹ excellent excepting he had said Argentina intended to meet her obligations fully "as she had done up to the present". This last sentence was unfortunate since practically nothing had been done. It was imperative for instance that there be a fully effective control all German interests. Perón admitted little or nothing had been done excusing it as due to bad organization but said all accounts had been blocked. I observed I was not even sure this had been done effectively and there were countless other hidden accts. which must be investigated. He promised to cooperate with me and to

⁵⁰ For documentation on United States policy in 1944 with respect to diplomatic and consular property of enemy governments and the property of enemy diplomatic and consular personnel in liberated areas, see *Foreign Relations*, 1944, vol. I, pp. 1471 ff. For documentation on United States policy with respect to the disposition of German property and archives in German repositories, see *ibid.*, 1945, vol. III, pp. 1136 ff.

⁵¹ For text of address of May 28, 1945, see Department of State *Bulletin*, June 3, 1945, p. 1007.

instruct Colonel Olano ⁵² to work closest way possible with whomever we delegated for this purpose. He felt perhaps this work had been dispersed among too many people and put on a committee basis which was inefficient whereas following procedure he suggested we could get results.

C. I outlined **SAFEHAVEN** ⁵³ necessities and he reiterated aforementioned assurances saying he would gladly accept our technical assistance in making census and otherwise carrying on investigations.

8. I said speaking not as Ambassador to Vice Pres. but as friend to friend, I wished to comment on two things which strictly speaking were none of my concern but were of utmost importance in creating the friendly American public opinion so essential to our friendship.

A. Continued incarcerations and arrests were making an execrable impression on my fellow citizens particularly as many of these prisoners when released have never even had charges brought against them or reasons given for their arrest.

B. I could not believe he was aware of what was going on in censorship since frequently it appeared so utterly futile and counter productive. I cited various cases to him.

Perón took notes on what I said stating he would immediately speak to President urging that all political prisoners other than those held on definite criminal charges be released and he would take similar steps in respect to censorship.

Half an hour later at very end of interview he asked that my Govt. do something "to control the press criticisms of Argentina in the U.S." ⁵⁴ I replied it was absolutely impossible for us to do anything of [the] kind and I described strictly limited censorship for reasons of military security citing the Kennedy case ⁵⁵ and told him I understood *New York Times* this morning had carried front page story by Cortesi ⁵⁶ to effect that press censorship he had suffered here was worse than that he had endured under 10 years of Fascist regime in Italy and that as a case in point were our Govt. even to hint at control of such an article or to chastise Cortesi for it, public opinion at home would be enraged. I added it was not merely U.S. opinion but I had witnessed identical feeling in Cuba and other Republics on my trip southward. I reminded him of action reported in yesterday's press

⁵² Col. Manuel José Olano, President of the Administrative Council for the Intervention of Axis Firms.

⁵³ For documentation on the inception of the policy represented by this code word, see *Foreign Relations*, 1944, vol. II, pp. 213 ff.

⁵⁴ For documentation on Argentine censorship of the press and treatment of press representatives, see pp. 505 ff.

⁵⁵ The reference apparently is to Edward Kennedy, chief of the Associated Press Bureau at Paris. See Forrest C. Pogue, *The Supreme Command*, in the official Army history *United States Army in World War II: European Theater of Operations* (Washington, Government Printing Office, 1954), p. 527.

⁵⁶ Arnaldo Cortesi, United Press representative in Buenos Aires.

by Brazil of issuing instructions in presence of newspaper correspondents that there should be no more censorship.

9. Perón said if he did not comply in every detail I was free in future to accuse him of bad faith and reading from a previously prepared memorandum he raised following points:

A. He had considerable volume documentary evidence including letters signed by Lang⁵⁷ showing latter had been practising military espionage here. This he had kept quiet in order to have no incident disturb our relations. I told him that quite apart from Argentine protests respecting Lang which had first been made to me by Ibarra García in Washington, Lang's transfer to another post had been previously decided. Perón went on to say he would be glad to give Gen. Harris⁵⁸ all information he required even most secret including that concerning Argentine Army. In short anything and everything we wanted in these particulars would be ours. He had merely mentioned Lang incident as an example of how difficult it had been for him in the face thereof to control his own officers.

B. He discussed communism at considerable length saying he had sent word to Lang through Cavenah⁵⁹ of the visit of the two reportedly Mexican Communists whom he thought really to be Spaniards and who proposed that Mexico in the north and Argentina in the south should be a "two headed dragon to offset Yankee imperialism." He wanted to know how we handled Communists since he proposed that Argentina pursue identical course. I replied we had practically no Communist problem and therefore no particular method of handling it but on the other hand self evidently if there was to be peace to the world there must be understanding and friendship with Russia, with that country actively participating United Nations organization. After some further fishing around he bluntly asked whether or not Communist Party should be allowed to organize under the new political party statute. I replied that was exclusively an Argentine problem on which I could express no opinion whatsoever.

He said Counselor of Russian Legation Montevideo⁶⁰ had visited him to propose purchase of all of Argentine grain surplus and this self evidently was attempt to monopolize market.

10. He referred to British endeavors to regain commercial supremacy in Argentina but stated flatly he preferred if possible to deal with U.S. and hoped our commercial and other economic relations could be greatly expanded in every direction. Also he hoped for our assistance in development of industry here. He made some vague generalizations on the work of his postwar council and suggested Embassy appoint a liaison officer to that body. I countered by suggesting conversations under his and my general direction but with experts from both sides in consultation and offered to draft a preliminary agenda in this connection. I have in mind Dept.'s instructions

⁵⁷ Brig. Gen. John W. Lang, former Military Attaché in Argentina.

⁵⁸ Brig. Gen. A. R. Harris, Military Attaché in Argentina.

⁵⁹ Col. Kenneth A. Cavenah, Chief of the U.S. Military Air Mission in Argentina.

⁶⁰ Presumably Nikolai A. Andreev.

for such conversations which I rec'd. in Cuba but which have not been rec'd. here. (If Dept. approves, please send me duplicate instructions.) I added that due to Embassy staff reductions during last year and complete reorganization Embassy personnel shortly to be initiated there might be some delay in this connection which he agreed would do no harm.

11. It is interesting to note Perón made no request at all in respect to staff conversations, military matériel which he raised in our May 22 chat.

12. Interview concluded with mutual assurances of each being available to other at all times and desire to work in closest cooperation.

As Dept. is aware Perón's reputation is that of a great promiser but poor performer but he certainly went far out on the limb today with me. It of course remains to be seen how much he fulfills or we can induce him to fulfill of all these promises.

BRADEN

835.00/6-945 : Telegram

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

BUENOS AIRES, June 9, 1945—6 p. m.

[Received June 9—3:55 p. m.]

1199. ReEmbtel 1124, June 1, paragraph 8. Perón is apparently at least making gesture in keeping with his promise to me since at noon today Police Chief ⁶¹ announced in press interview Govt. program of immediate freedom for all political prisoners in Villa Devoto, Martín García and Neuquen,⁶² excepting those accused of extreme rightist activities; 205 to be freed today and all others in course of ensuing week. Foreigners now detained will be freed with warning on future conduct but will not be deported. Text of announcement being sent separately in clear.

This is interesting development, especially in view of Argentine Govt. giving us access to German archives more quickly than some of other American Republics and of Perón's other gesture, weak though it appears to be, in respect to censorship (reEmbtel 1185, June 8, 7 p. m.⁶³).

BRADEN

⁶¹ Col. Filomeno Velasco.

⁶² These are the names of Argentine penal institutions.

⁶³ Not printed.

740.00112A EW/6-645 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, June 13, 1945—7 p. m.

696. From Rockefeller. We have followed with interest developments of last few days and all of us here delighted with effectiveness of your work. I have been keeping constantly in touch with head of Arg delegation and for past 3 weeks he has been strongly urging his government to: (1) fix definite date for elections; (2) release all political prisoners; (3) restore freedom of press.

Reference your 1165 June 6 ⁶⁶ it would be most helpful and I should like to have numbered list of specific cases, first, in which they are not cooperating in relation to implementation of carrying out of declaration of war decrees and, second, in implementation of their commitments under Act of Chapultepec. I would then appreciate your keeping me posted on developments concerning these various matters in order that I may be fully informed at all times. [Rockefeller.]

GREW

835.01/6-2845

*Memorandum by Mr. Eugene A. Gilmore, Division of River Plate
Affairs* ⁶⁷

[Extracts]

[WASHINGTON,] June 28, 1945.

The resumption of normal diplomatic relations with the Argentine Government and its admission to the United Nations Conference were based upon certain measures which it adopted pursuant to Resolution 59 of the Inter-American Conference on Problems of War and Peace. These were stated in the Department's circular telegram of April 4, 9 a. m., to be:

Against the standard of expected performance set forth in the foregoing resolutions the record of the Argentine Government since April 9 is as follows:

1. *Control of pro-Axis individuals.* Despite the internment of Japanese diplomatic and consular personnel there is considerable

⁶⁶ Not printed; the Ambassador indicated that Argentina's failures with respect to compliance with various obligations were such as to make reduction of the Proclaimed List inadvisable (740.00112A EW/6-645).

⁶⁷ Addressed to Messrs. W. S. Lockwood and George H. Butler of the Division of American Republic Affairs.

laxity in surveillance—wives, children, and servants of internees being allowed to circulate freely and to associate with other Japanese.

The decree of April 2 providing for registration of enemy aliens has been modified to permit freedom of travel and communications by enemy aliens within Argentina and to exempt from registration priests and members of religious orders and others whose activities are frequently dangerous.

Graf Spee crew members, though officially prisoners of war, enjoy unusual privileges.

The Argentine authorities have expressed doubt concerning their legal authority to continue the detention of Fritz Mandl.

2. *Elimination of Axis propaganda.* Although closure of Axis press previously reported has been retained, the *Deutsche la Plata Zeitung* was allowed to reopen as *Die Zeitung* on April 29.

The pro-Axis magazine *Hechos* continues to appear with modified totalitarian tendencies but showing clear support of Falangism. *La Frontera*, (PL)⁶⁸ continues to appear.

On April 24 the Flota⁶⁹ was given permission to comply with War Shipping Administration regulations and to request ships warrants. Inconclusive discussions concerning Argentine participation in UMA⁷⁰ have also been held.

On May 2 the Argentine authorities agreed to cooperate in the suppression of smuggling of crude rubber in return for supplies of synthetic rubber and an interim allotment of tires. On his return to Rio de Janeiro from Buenos Aires, Korkegi,⁷¹ rubber expert, expressed skepticism concerning the intention of the Argentines to stop the flow of contraband.

On May 9 the Argentine authorities undertook to make available the exportable surpluses of linseed and certain other vegetable oils in return for supplies of fuel oil. Adequate measures have been taken to implement this commitment.

On various occasions the Argentine Government has expressed an interest in cooperating with UNRRA.⁷² Action on this proposal will be taken by the UNRRA Council at its meeting in July provided that prior to that time the status of Argentina as a United Nation is further clarified.

6. *Freedom of access to information.* Despite official denials and certain instances of vacillation, the Argentine Government retained until June 6 rigorous internal and external press censorship. On June 13 Ambassador Braden announced that the Government had informed him of total abolition of censorship on incoming and out-

⁶⁸ Proclaimed List.

⁶⁹ Flota Mercante del Estado, state shipping organization.

⁷⁰ United Maritime Authority, international body established to control shipping.

⁷¹ Harri Jacob Korkegi, of the Rubber Development Corporation.

⁷² United Nations Relief and Rehabilitation Administration.

going news despatches. There have been no reports of interference with external news services since that date. On June 18, however, four members of the staff of *El Patriota* including the editor were arrested. Prior to June 13 frequent and arbitrary interference with the local press and the international news services occurred. Between April 9 and June 27, eleven instances of interference with freedom of expression, arrests of journalists, and closure of publications have been reported.

7. *Restoration of Constitutional Government.* On April 22 a large number of army officers and democratic leaders were arrested for alleged complicity in a subversive plot against the Government. The majority of those seized were well-known for their democratic leanings.

The Government took extraordinary measures to prevent popular demonstrations upon the fall of Berlin. These were probably motivated principally by fear of action against the regime by "subversive groups". An official holiday for the surrender of Germany was belatedly declared on May 8 but curbs on public demonstrations were maintained.

On May 16 the Government announced a six-point program for the return to constitutional normality: (1) repeal of decree prohibiting political activities; (2) approval of political party statute and creation of electoral court; (3) organization of political parties; (4) final completion of voting registers; (5) electoral preparation; and (6) elections. It was announced that the first two steps would be taken before the end of May but that further steps including release of political prisoners would depend upon developments. A statute entitled "Organic Statute for Political Parties" was released on May 31 to become effective on August 1, 1945. Presumably this implies the intention to repeal the decree prohibiting political activities, although this step has not yet been taken.

On June 14 the names of 246 recently released political prisoners were published in the press. The persons in question were practically unknown and it was reported that the list was believed to contain some falsified names.

On June 26 the Embassy reported that political prisoners still held in Villa Devoto, Neuquen, Martín García, Chaco, and Río Negro made an estimated, but probably incomplete, total of 458.

A chronological table of developments is appended.⁷³

⁷³ Not printed.

711.35/7-545 : Telegram

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

BUENOS AIRES, July 5, 1945—9 p. m.

[Received July 6—4:35 a. m.]

1441. ReEmbtel 1387, June 30, midnight [11 p. m.],⁷⁴ and subsequent messages. I cannot too strongly urge that President Truman in forthcoming conversations with Premier Churchill insist that long range importance of Argentine problems from political and strategical aspects far outweigh any economic or other considerations.

So great is Brit. influence in this country that we cannot hope to eliminate Nazi militaristic danger unless we have complete coordination with and support of Brit. on every front and so long as these ideologies and evil influences endure both Brit. and our own interests will be in danger and any temporary advantages which might accrue from an appeasement policy presently will pale into insignificance alongside of the future menace.

In this connection I am happy to report that Brit. Ambassador is cooperating in every way and has expressed his entire agreement with my views. Therefore the only place in which I feel Brit. Govt might encounter obstruction in these matters is in the so-called "city" group such as English railways.

So long as Perón and military remain in control of this country we are faced with a fundamental policy issue, importance of which cannot be exaggerated. Appeasement will be fatal and we must rigidly stand on our principles.

BRADEN

711.35/7-545 : Telegram

The Acting Secretary of State to the Ambassador in Argentina (Braden)

WASHINGTON, July 9, 1945—11 a. m.

836. Reurtel 1441, July 5. In consideration the suggestion that President Truman take up the matter of Argentine problems with Premier Churchill, the Department requests more specific information regarding matters in which British cooperation at the present time is inadequate or lacking. Relations between officers of the Department and the British Embassy here have been close and cooperative. It would appear from your various telegrams that your relations with Ambassador Kelly have also been close and that he is disposed to give cooperation. Under these circumstances we feel it important if any

⁷⁴ *Post*, p. 508.

representation is to be made to the British that it should be specific and precise.

Telegram from Embassy London repeated to you as London's 9 of July 2⁷⁵ indicates that British Foreign Office official did not contemplate that authorities concerned would make difficulties about temporary suspension sales aircraft engines to Argentina for military use but that as concerns arms shipments to potential aggressors, the British find it difficult to make distinction between Argentina as a belligerent not cooperating actively in war and other Latin American countries with possible exception of Brazil. We do know that the British here show a strong preoccupation with the importance to them that there should be no interruption in supplies of food products which they are obtaining from Argentina. For this reason they might view with some concern internal disorders of the type threatened by Colonel Perón if they should reach the proportions of interrupting food supplies which are urgently needed in England and Europe. One of the most critical problems of today in this country, England, the liberated areas and throughout the world is that of food supply. Accordingly, neither we nor the British could be expected to take action which would reduce purchases of food in Argentina, or elsewhere.

It is also well known that the British are deeply concerned with their export markets upon which they are dependent for their economic recovery. Presumably, they want to push exports to Argentina of industrial equipment, chemicals, textiles and other products as rapidly as supply condition in Great Britain permits. They would thus be disposed to take action in pushing exports which might impair in some degree any pressure you may be able to exercise through a selective export policy. We have suggested to British Embassy here that British lodge in Ambassador Kelly same authority with respect to their exports to Argentina as you have with respect to ours.

The Department stresses importance your efforts to obtain prompt and effective Argentine action in the elimination of German spearhead firms and in the entire SAFEHAVEN program. Colombia, Uruguay and Paraguay are other countries in which the Department will seek to obtain more favorable action in these matters.

Urtel 1445.⁷⁶ Guarantees for protection correspondents represent at least temporary satisfaction on that problem. In opinion of Department progress made in elimination German spearhead firms and in protecting correspondents are soundest approaches to follow up. If British cooperation lacking in these cases or in such cases as those men-

⁷⁵ Telegram 6649, July 2, 7 p. m., from the Ambassador in the United Kingdom, not printed.

⁷⁶ July 5, 11 p. m., p. 514.

tioned other paragraphs this tel Department will consider further your recommendations regarding conversation between President Truman and Premier Churchill.

GREW

711.35/7-1145 : Telegram

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

BUENOS AIRES, July 11, 1945—6 p. m.

[Received July 12—1:19 a. m.]

1498. I respectfully submit the following in reply to Deptel 836, July 9, 11 a. m.

Section A. When in Embtel 1441, I urged that President Truman discuss the Argentine problem with Premier Churchill I did not have in mind any precise example or incident. On the contrary, I desired to emphasize necessity for our two Govts. to agree upon a broad, long range and in so far as possible, common policy. My recommendation was based on following recognized facts:

A. Future peace and well being of the world in considerable measure depend on Anglo-American cooperation and understanding.

B. Any menace to security of the U.S. will also threaten that of British Empire.

C. The present world-wide ideological struggle will not cease with the end of armed conflict; the U.S.A. and Great Britain must be more alert and positive in defense of their systems, national lives, and principles than ever before.

My recommendation was further based on:

1. This has proved that both from strategic and political aspects it is imperative for the security of U.S.A. that other American Republics [be?] in hands of friendly cooperative govts. imbued with principles—i.e. of democracy identical to ours. (What would have occurred had Germans come westward instead of our going eastward to Africa? The Latin American dictators and disreputable govts. would have sold out to the enemy in a flash.)

2. As reported in my Chaco Delegation despatch No. 509, Sept. 23, 1937,⁷⁷ the Fascist militaristic influence here is not superficial temporary phase but a sturdy growth which cannot be quickly or easily destroyed by a short range program or by half-way measures. . . .

3. As Cordell Hull stated in memorandum attached to Depins No. 6151, Oct. 2, 1944:⁷⁷ the Nazi-Fascist movement "entrenched in Argentina is in a position to build up its strength and to prepare for

⁷⁷ Not printed.

future aggression. So long as present situation persists, Nazi-Fascist danger will be ever present. Its poison will spread to other countries as we shall be confronted in not too far distant future with major threat to whole structure of postwar international security." Also see numbered paras 1 and 2 of Dept. A-973, Oct. 24, 1944.⁸⁰ These two statements are as true today as when written.

4. Perón as the one outstanding leader now on Argentine scene is embodiment of present Fascist military control, but he is only an individual whereas the movement consists of many, was bred by the Nazis and furnishes the latter with foundation on which they hope to build the "victory of the post war." Indeed, while elimination of Perón . . . would be a big step forward, U.S. and consequently British security will not be assured until last vestiges of the evil principles and methods existing Govt represents and practices have been extirpated and a reasonably effective democracy exists in Argentina. To attain these ends will require real and full cooperation of all democracies under U.S. and British leadership.

Therefore I feel that Britain should follow our firm policy along the lines established in numbered recommendations 1 to 7 of my despatch 9103 of April 5⁸¹ from Habana and that specifically (a) no military cooperation or material be given Argentina; (b) economic assistance be restricted to criteria set forth in my tel. 1111, May 31, 8 p. m.⁸¹ until such time as Nazi militaristic control of this country has been replaced by a constitutional and cooperating democracy. For us to fail to pursue this course would be to betray our guiding principles. Failure to establish such a broad common policy will leave the way open for powerful interests both from within and without Western Hemisphere and British Commonwealth to subordinate important decisions on fundamental policy issues to opportunistic considerations of the moment. Collateral to the foregoing there should be the discussions with Stalin recommended in my tel. 1474, July 8, 9 p. m.⁸¹

Section B.

1. Compared to foregoing fundamental considerations British and American trade and investments in this country pale into insignificance. Moreover, both countries' economic interests (including English railway concessions—Mitre law—which expire in 1946) may be rendered valueless by continuance of present type of govt. Perón is on record as intending to recover Argentine patrimony from foreign malefactors (*sic*).

⁸⁰ Not printed; this airgram quoted telegram 8320, October 10, 1944, 6 p. m., to London, for text of which see *Foreign Relations*, 1944, vol. VII, p. 36.

⁸¹ Not printed.

2. I believe meat exports will continue under any circumstances barring revolution or chaos, but likelihood of interruption of meat supply will increase in direct ratio to the duration of Perón regime.

3. Elimination of German spearhead firms and attainment of SAFE-HAVEN program will be expedited by return to constitutional democracy.

4. The same holds true for freedom of press and freeing of political prisoners (who I am convinced in several cases have been tortured).

5. British inability to distinguish between Argentina and other Latin American Republics as indicated in my tel. 1473, July 7, 7 p. m.⁸²—is neither reasonable nor justified by facts.

6. Termination of Proclaimed and Statutory Lists should be not on a calendar basis but according to necessities imposed by the conditions prevailing in each country.

7. British suspension sales aircraft should be synchronized with ours and not "temporary".

8. I heartily concur with proposal Brit. Ambassador be given same authority as I have in respect exports to Argentina.

9. Thought might also be given if not to expulsion of Argentina from United Nations at least to refusing membership (based on articles 3 and 110 of charter) until she has constitutional govt. having authority to ratify San Francisco instrument. Also the fact that present Argentine regime is not just one more personal or oligarchic dictatorship of traditional Latin American type but is a strategic and political factor inimical to common interests of American Republics might make this regime susceptible to being considered as a threat to the peace and therefore subject to enforcement measures by UNCIO.⁸³

BRADEN

862.30/7-1245 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, July 13, 1945—6 p. m.

878. The question of the German submarine, subject your tel 1514 July 12 and previous⁸⁴ was discussed in staff committee meeting this morning.

⁸² Not printed.

⁸³ United Nations Conference on International Organization. Reference presumably is to the United Nations Organization which resulted from the Conference.

⁸⁴ None printed. The Ambassador had reported the arrival of a German submarine in an Argentine port and its subsequent surrender to the Argentine Navy.

Decision was for you to make prompt and vigorous, but polite request to the Argentine Government, on behalf of the four powers to whom the German armed forces surrendered, to turn over the submarine and its crew to the custody of U.S. naval authorities.

According to Act of Military Surrender,⁸⁵ all German forces on land, sea, and in the air surrendered unconditionally to SCAEF⁸⁶ and Soviet High Command; and pursuant to orders from the Allies based on Act of Surrender, the German High Command issued instructions to all German naval forces, including the U-boat fleet.

A letter of July 12 from Acting Secretary of the Navy⁸⁷ states in part that the terms of surrender signed by the German High Command make specific provision for the surrender of the German U-boat fleet. The German High Command agreed to order all "U-boats at sea" to follow strictly the instructions for proceeding to Allied ports. These instructions set forth the areas and routes for U-boats surrendering, including Area F, the North and South Atlantic. None of the points to which they are directed to proceed are in or near Argentine waters. It is considered therefore that this German submarine by surrendering at Mar del Plata, violated the terms of the surrender agreement with Germany. The Navy Department further indicates that it considers it highly desirable that the crew be thoroughly questioned to determine not only whether the submarine participated in the evacuation of any war criminals, but also whether members of the crew themselves perpetrated any war crimes. The Navy Dept moreover believes that such interrogation could be more successfully conducted in the U.S. than in Argentina. Modern interrogation is a highly technical process calling for specially trained personnel.

In making representations to Argentine Government, please stress fact that action of submarine commander constituted a violation of surrender instrument as implemented by specific instructions issued to all German U-boats at sea and that Argentina is under an obligation not to be a party to such violation.⁸⁸ Sent to Buenos Aires. Repeated to London, Paris and Moscow.

GREW

⁸⁵ For texts of Acts of Military Surrender of May 7 and 8, 1945, see Department of State Executive Agreement Series No. 502, or 59 Stat. (pt. 2) 1858 and 1860.

⁸⁶ Supreme Commander, Allied Expeditionary Force.

⁸⁷ Not found in Department files.

⁸⁸ The Ambassador in Argentina reported in telegram 1543, July 16, 8 p. m., that the Argentine Foreign Office had accepted the obligation to place the submarine at the disposition of the United States and Great Britain (862.30/7-1645).

711.35/7-1145: Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, July 19, 1945—5 p. m.

928. ReEmbtel 1498, July 11. Dept has no question as to necessity for British American cooperation in Argentina. To this end, Assistant Secretaries Dunn and Rockefeller had a meeting with Lord Halifax⁸⁹ in December 1944⁹⁰ at which there was complete mutual understanding. This understanding was confirmed by the Dept's Staff Committee and by Foreign Minister Eden. Dept believes that in practice this cooperation has been extremely good.

Dept considers that this is a suitable occasion for a conversation between President and Churchill on the subject of Argentina and hence is transmitting to the Secretary copy of your 1498, June [July] 11, and recommending that he ask the President to say to Churchill that this Govt is most appreciative of the cooperation which his Govt has shown in connection with the Argentine problem; that this Govt views that situation with deep concern; that this Govt, through the BritEmb Washington, has urged that Ambassador Kelly be given the same authority to screen Brit exports to Argentina which we have given to you; and that this Govt hopes the Brit FonOff may find it possible to adopt this procedure which will enable our two Ambassadors to make still more effective their cooperation. (Copies being forwarded you by airmail.)

Re London tel. 6649, July 2 to Dept.⁹¹ Principal indication which has come to us of Brit reluctance to go along with us completely has arisen in connection with export policy and particularly armaments. This has been taken up with BritEmb here and has been occasion for suggestion that authority over exports be vested in Ambassador Kelly. It is Dept's belief that if this action is taken, you and Ambassador Kelly together should be able to handle this matter satisfactorily.

Dept will always be glad at any time to take up with Brit at appropriate level matters in which their cooperation is inadequate.

Dept calls to your attention that Argentina altered her basic foreign policy when called upon to do so by a united hemisphere and that the decisions reached at Mexico City have formed the principal basis for the positions which you have taken with the Argentine Govt. It

⁸⁹ British Ambassador in the United States.

⁹⁰ At this meeting, according to a memorandum of conversation of December 23, 1944, the British Ambassador was informed about the impending conference at Mexico City and was assured that the conference was not being held for the purpose of developing an American bloc to the detriment of British interests in the Western Hemisphere (711.41/12-2344).

⁹¹ Not printed.

considers that the continued unity of the hemisphere is essential. It therefore welcomes references in your telegrams to consultations with the Ambassadors of the other American Republics. You are urged to avail yourself of every appropriate opportunity for such consultation.

Dept is in entire agreement with you that the establishment of effective democracy in Argentina may be a slow process in view of past 20 years in Argentine history. It considers it in the interest of the US to use its legitimate influence to encourage that process. For this reason, it commends the various positions which you have taken with marked success in connection with press freedom, political prisoners, and democratic principles.

ReDeptel 836, July 9. Dept stresses again urgent importance of pressing for elimination of Axis firms and influence and SAFEHAVEN program. As pointed out by Assistant Secretary Clayton in his testimony June 25⁹² the task of destroying the economic basis of German aggression is one which requires vigorous and simultaneous action. Dept is considering sending a special mission to the field to see what can be done to expedite action in these countries where the program is lagging. Not only are these measures a vital part of war policy of this Govt with respect to Germany, but the weakening of German political and economic strength in Argentina should contribute to our foreign policy objectives with respect to Argentina (re Paragraph 3, Section B, your 1498, July 11).

For your info our Embassies in Paraguay and Uruguay report recent substantial progress in these matters.⁹³

Dept reserves comment for present on Paragraph 9, your 1498, July 11.

GREW

123 : Telegram

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

BUENOS AIRES, July 20, 1945.
[Received July 20—12: 05 p. m.]

1595. Handbills flooding streets late last night make direct and personal attack on me.

One is form of circus announcement stating that cowboy Braden following great success in Cuba and Guatemala will make debut;

⁹² Made before the Subcommittee on War Mobilization of the Senate Committee on Military Affairs; for text, see Department of State *Bulletin*, July 1, 1945, p. 21.

⁹³ For documentation regarding the concern of the United States in the control or elimination of Axis interests and activities in Paraguay and Uruguay, see pp. 1299 ff. and pp. 1387 ff., respectively.

further attractions are described as Government tamers, press lassoers, traitor rodeos. Another declares "Lincoln and Washington have nothing to do with cowboy Braden, tamer of South American Governments. The great Roosevelt would have saved himself the trouble of sending us a "cowboy" because he knew the cowboy was not a match for the "gauchos". A third reads as follows: "Al Capone ⁹⁴ in Buenos Aires? Unconfirmed reports lead one to suppose that a personage similar to Capone is operating in this Criolla City of Buenos Aires trying to blackmail the country. The *Círculo de La Prensa*, the rural society and stock exchange are helping him. Beware note: details at the Boston Bank."

A fourth reads "do you know that cowboy Braden told the entire Diplomatic Corps that he was going to 'tame' in one month the country of the Argentines putting it in his pocket like the swarthy Batista? ⁹⁵ Look out for flying hoofs, boys.["]

A further report follows.

BRADEN

835.00/7-1745 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, July 21, 1945—2 p. m.

945. Dept has following general comment to make with respect to your numbers 1565 and 1566 July 17 ⁹⁶ and other recent telegrams. Dept appreciates your helpful analyses of the fundamentals of the situation and of its day to day development. Dept appreciates the complexity and difficulty of the situation with which you have to deal. In essence we are all hoping for a revival of a militant civic conscience in a country which still has great prosperity, which has a long story of political disintegration and which is ruled by a military government.

Looked at in long-term perspective Dept feels that you should not underestimate the very real achievements and developments which have taken place since you arrived in Buenos Aires. The Declaration ⁹⁷ referred to in your number 1566 is only the most recent of a series of heartening examples of new courage and a new sense of responsibility among the Argentine people.

Dept realizes as you do that there is not much more that can be done either by you or by this Government which would not result in the

⁹⁴ Chicago gangster leader.

⁹⁵ Fulgencio Batista, President of Cuba.

⁹⁶ Neither printed.

⁹⁷ Reference is to a statement by some 83 Argentine cultural and professional leaders criticizing the existing regime as detrimental to the country.

resentment to which you refer at the end of your 1565 on the ground that this Government was intervening in Argentine domestic affairs. As indicated, however, in Dept's 928⁹⁸ we have recommended to Secretary Byrnes that President Truman discuss the situation with the British looking toward the continuation of the close cooperation with them. Dept is also considering presentation of situation to other American republics with a view to consultation concerning joint action as follow up of Mexico Conference based upon a carefully prepared record with supporting documents. If we are to have genuine inter-American support, as distinguished from token support in some cases, we must make the most careful and effective factual presentation.

As against a note of pessimism and urgency in your 1565 we feel that you should balance the important achievements referred to above, and the effectiveness of inter-American solidarity as demonstrated at Mexico City.

GREW

123 : Telegram

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

BUENOS AIRES, July 24, 1945—noon.

[Received July 25—3:13 a. m.]

1638. There are such abundant, convincing, and universally accepted indications that calumnious campaign against me was instigated, organized, and carried out by governmental organizations which operate under Perón's direct supervision that there can be and is no question for any fairminded person. I am discreetly endeavoring to obtain such proof as would stand up in any court of law even in face of governmental denials. However, as Department will appreciate, this is difficult and delicate undertaking.

That campaign was carried out with acquiescence and protection of Government is clearly evidenced by volume and consequent expense of printing and distributing leaflets, posters, et cetera (some identical leaflets were printed in more than one establishment). Placards were pasted on walls of Government-owned property where all advertising is prohibited and on space reserved for Government announcements. Handbills were distributed in large volume all over city and suburbs, where not usual, with open approval of police although unauthorized distributors of leaflets are promptly arrested. Scurrilous announcements of Friday night meeting which included phrase "Union of workers against imperialism of Wall Street! Braden signifies exploitation and crime in Chile!" distributed 48 hours in

⁹⁸ Telegram of July 19. 5 p. m., p. 395.

advance for which Government not only must have given its authorization but allowed it to be helped. At this meeting defamatory speeches were broadcasted despite fact that no broadcasting is allowed without prior government approval and submission of scripts in advance. One of speakers, Blanca Lux [*Luz*] Brum, has office in Secretariat of Information and Press, of which she is apparently an employee. Another speaker was son-in-law of General Accame, Argentine Ambassador to Rio. Moreover, one leaflet referred to my having served in Guatemala which is significant since I discussed having been in that country with only two people in Argentina, Vice-Pres. Perón and Minister of Finance.⁹⁹ Several reliable informants of Embassy in conversations with members of governmental organizations report latter frankly admitting Government's responsibility. One of men distributing leaflets in Rosario station on my arrival was reliably identified as municipal employee known to represent Perón in Santa Fe Province.

This campaign has backfired against Perón and Government as manifestations in my telegram 1635, July 24, 9 p. m.,¹ indicate. *Vanguardia* of today caustically comments that campaign was instigated by one branch of Government protected by another and is being investigated by a third. Local press has been unusually bold in its comments and in reprinting U.S. articles. Despite tremendous sensation caused by campaign and universal condemnation thereof it is significant that I have received no apology or any word whatsoever in respect to it from Foreign Minister.

A reliable friend of Embassy while today calling on Sub-Director of Press and Information Secretariat,² who also is director and editor of *De Frente* (paper which during my last interview with Perón I pointed to as making veiled attack on me to which he replied it was opposition paper) in latter's office at Casa Rosada, found him with desk cluttered with proof sheets of tomorrow's *De Frente* issue containing article condemning campaign but also reprinting leaflets. This man explained that first [it] was necessary to disassociate Government from campaign and second to give wider circulation to attacks (*sic*). This man added that Government intended to pursue its attacks on me.

As reported in separate telegram, backfiring of campaign and my statement³ has so far had excellent effect. I am deferring any specific recommendations in premises until such time as we have further

⁹⁹ Ceferino Alonso Irigoyen.

¹ Not printed.

² Eduardo Juvenal Pacheco.

³ Probably reference is to an address made by the Ambassador at the University of the Litoral, July 21, 1945.

concrete proof of Government implication. Meanwhile Chilean Ambassador⁴ proposes to submit matter to Diplomatic Corps with view to protest by it. Whether unanimous support for this will be obtained remains to be seen.

Blatantly false preliminary statement by Foreign Minister is being telegraphed in clear.

Repeated to Rio, Santiago, and Montevideo.

BRADEN

123 : Telegram

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

BUENOS AIRES, July 28, 1945—8 p. m.

[Received 9 : 30 p. m.]

1688. Re Embassy's telegram 1638 of July 24, midnight [*noon*]. Embassy continues to receive much evidence which clearly indicates that defamatory campaign against me was not only protected by Argentine police but also was planned and carried out by Argentine officials. Even evidence of this nature would, however, be difficult to use because of danger of Govt. retaliation against informants. Other information directly implicating high officials close to Perón, although convincing to any objective observer, might be difficult to support against the perjury and other devices of the defense.

In my opinion, no official protest should be made at least presently regarding defamatory campaign because (1) any such protest should necessarily be based on precise information involving high officials or otherwise we will at best get only empty apology as satisfaction, (2) present evidence could probably better be used at more strategic time, for example as convincing item at future inter-American conference, (3) as a result of the spontaneous and general reaction, my position has been improved, in other words it could not have been better had we planned it.

BRADEN

S25.6352/8-245 : Telegram

The Acting Secretary of State to the Ambassador in Argentina (Braden)

WASHINGTON, August 2, 1945.

1011. This morning Dept released following:

"Statement by Acting Secretary of State Joseph C. Grew.

The Department has received a report from the American Embassy at Buenos Aires regarding a call made on Ambassador Braden yester-

⁴ Alfonso Quintana Burgos.

day by representatives of Argentine labor unions. These labor leaders called at their own request in order to express their disapproval of the recent campaign of defamation directed at the Ambassador in Argentina. They assured Ambassador Braden that all independent labor unions and the vast majority of the Argentine people are in complete sympathy with the Government and people of the United States and with the Ambassador personally, and stated that Argentine workers are proud that the North American people is a people of the American continent.

The delegate of the Confederation of Latin American Workers stated that these views represent the opinion of all Latin American workers.

Ambassador Braden was expressly authorized and requested by the labor representatives who called upon him to make their declarations public.

The Department naturally is deeply gratified by the friendly statements made by these Argentine labor leaders about the American people and Government. Friendly and understanding relations between the peoples of Argentina and the United States are prime objectives of our Government.

A list of the Argentine labor unions whose representatives visited Ambassador Braden follows:" (list omitted)

GREW

123 : Telegram

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

BUENOS AIRES, August 9, 1945—7 p. m.

[Received 11 : 52 p. m.]

1806. Brazilian, Bolivian, Uruguayan, and Colombian Ambassadors and Dominican Minister belatedly called on me last night to express their solidarity following recent attacks on me. After thanking them I said that I knew where attacks originated (mentioning no names), that my report ⁵ with full evidence was going forward yesterday (as it did), that attacks were unprecedented in diplomatic history, that my Govt. took very serious view of them and it had not yet decided what action it should take.

In strongest way possible I emphasized that no one could point to single word or act which could remotely be interpreted as intervention in Argentine internal affairs and I had never even invoked Argentine commitments re free press and democratic principles as I might have under Mexico City resolutions. I mentioned that Perón on June 30 threatened newspaper campaign against me and then

⁵ Despatch 511, August 8, 1945, not printed.

described at some length Argentine failures to live up to commitments re liquidation of Axis interests and influence in Argentine.

BRADEN

711.35/8-1045: Telegram

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

BUENOS AIRES, August 10, 1945—6 p. m.

[Received 7:25 p. m.]

1815. Embassy informed reliable source that Ibarra García⁶ stated to Foreign Office while in Buenos Aires that opinions in Department were divided regarding my methods in handling Argentine problem.

Clearly spreading of any such opinion would have adverse repercussions in many directions, weaken my position vis-à-vis Argentine Government and prejudice progress along lines [re]commended in Deptel 928, July 19, 5 p. m. and 945, July 21, 2 p. m. Therefore recommend Department take earliest opportunity to disabuse Ibarra García of any idea that Department does not approve of what I have done here.

BRADEN

711.35/8-1445

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

No. 6964

WASHINGTON, August 14, 1945.

SIR: The Department is reviewing the Argentine situation with a view to reaching a decision about the desirability of consultation with the other American republics looking toward possible inter-American representations to secure from Argentina a standard of performance under inter-American commitments that would be the equal of performance by any other republics.

The time now may be opportune to seek additional cooperation from the other American republics as a follow-up to the Mexico City Conference. Necessary documentation would include memoranda similar to the two which are enclosed as samples. Consultation with the other American republics would be based upon specific cases in which the implementation by Argentina of its inter-American commitments might be considered unsatisfactory by the other American republics and therefore proper subjects for the governments of those

⁶ Oscar Ibarra García, Argentine Ambassador to the United States.

republics to bring to the attention of the Argentine Government. The specific cases are:

(a) Failure to subject the directors and officers of Axis firms and associations to adequate controls. (Embassy to prepare documentation. The statement by Assistant Secretary Clayton entitled "Security Against Renewed German Aggression", published in the Department of State *Bulletin* of July 1, 1945 is a pertinent reference.)

(b) The danger that Japanese and German Schools and social organizations still are functioning as centers of anti-democratic propaganda and of possible future totalitarian movements. (Embassy to prepare documentation.)

(c) The failure of the Argentine police to exercise adequate control over suspicious persons and subversive activities. (Embassy to prepare documentation.)

(d) The undue liberty which has been allowed to *Graf Spee* sailors and the substantial number of sailors who have escaped. (Sample memorandum enclosed.⁷)

(e) The failure to intern German merchant sailors and captains. (Embassy to prepare documentation.)

(f) The reopening and publication in Spanish of two Japanese newspapers and the reopening of the pro-Nazi "Die Zeitung" under the guise of a democratic newspaper. (Sample memorandum enclosed.⁷)

These specific cases are cited from your telegram no. 1503 of July 11, 9 p. m.⁸ You may have others to add to the list. As indicated in the respective memoranda, additional information will be required from the Embassy. The Department feels strongly that the basis of any possible inter-American action must be a strong and well documented factual presentation of cases in which there is reasonable expectation that the other American republics will be satisfied of Argentine failure to implement its inter-American commitments. If you deem it necessary, the Department would consider sending a specially qualified person to Buenos Aires to assist the Embassy in the preparation of this material.

The Department would appreciate your comment by telegram upon this instruction and the enclosures as soon as you have had time to study them and formulate your views.

Feeling in the Department as to the desirability of this action is heightened by the information contained in your telegram no. 1779 of August 6.⁷

Very truly yours,

For the Secretary of State:
NELSON A. ROCKEFELLER

⁷ Not printed.

⁸ *Post*, p. 465.

711.35/8-1045: Telegram

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

WASHINGTON, August 14, 1945—10 a. m.

1085. There could be no basis for rumor reported in urtel 1815, August 10, 6 p. m., in view of fact that there is complete support for your position in the Department. Rockefeller had occasion in meeting with the Ambassador yesterday to express personally his admiration for the outstanding work you have done under difficult circumstances, feeling which the Ambassador professes to share. Memorandum of the conversation ¹⁰ is being sent you airmail.

BYRNES

862.30/8-1745: Telegram

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

BUENOS AIRES, August 17, 1945—5 p. m.

[Received 8:10 p. m.]

1875. Embtel 1870, noon.¹⁰ The Ministry of Marine has issued two press releases confirming surrender of U-997 at sea near Mar del Plata and stating that the sub has been towed into Mar del Plata and the crew removed to Argentine warship *Belgrano*.

Naval Attaché reports that crew has now been placed in barracks at Mar del Plata. Crew contains 32 members only; 24 will be moved to Martín García Sunday and 8 will be detained at Mar del Plata for questioning. Sub is reported to have 10 torpedoes, guns and ammunition and to be in better condition than U-530. It is reported to have left Kiel April 19 and Christiansand May 22.

Acting Under-Secretary for Foreign Affairs ¹¹ in informally communicating news to Embassy said "the question of the disposal of this submarine will be easy in view of what has already been done with the others." ¹²

BRADEN

¹⁰ Not printed.¹¹ Carlos Pardo.¹² In telegram 1948, August 23, 7 p. m., the Ambassador reported that the Argentine Government had issued a decree turning over the U-977 to the United States on the same terms as those extended to the U-530 (862.30/8-2345).

711.35/8-2045 : Telegram

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

BUENOS AIRES, August 20, 1945.

[Received August 21—2:31 a. m.]

1906. Following communiqué issued at 11:15 p. m. by Presidential Secretariat through intermediary of Press and Information Secretariat:

"The Government, having been informed that it is planned to simulate an attempt against the life of the diplomatic representative of a friendly nation with the purpose of artificially creating political (international) difficulties, the Secretariat, in the name of the President of the Republic, makes known this disreputable maneuver to the public opinion of the country and warns those who have conceived this criminal intention and who intend to put it into effect that its authors, instigators, accomplices, and concealers (*encubridores*) will be punished as traitors with all the strength of the law."

BRADEN

711.35/9-145 : Telegram

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

BUENOS AIRES, September 1, 1945—9 p. m.

[Received September 1—8:05 p. m.]

2045. Reference Embassy's telegrams 1441, July 5, 9 p. m. and 1498, July 11, 6 p. m. In absence of any information from Department, I assume it was impossible to raise at Potsdam¹³ question of British attitude toward Argentine question. If this is case, strongly recommend that this be discussed at forthcoming London meeting of Foreign Ministers.¹⁴

While possible application of broad economic sanctions against Argentina is not recommended presently, if Argentina persists in protecting Axis interests and influences the question might arise subsequently, hence discussion thereof with the British now might be desirable in order to pave way for possible later action if needed.

BRADEN

¹³ The Conference of Berlin between the Heads of Governments of the United States, the United Kingdom, and the Soviet Union and their advisers, July 17–August 2, 1945; the Argentine problem was not taken up at the Conference.

¹⁴ For documentation on the First Session of the Council of Foreign Ministers, London, September 11–October 2, 1945, see vol. II, pp. 99 ff.

835.00/9-445 : Telegram

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

BUENOS AIRES, September 4, 1945—10 p. m.

[Received September 5—2 a. m.]

2066. The Supreme and Lower Courts, every political party, university students and faculties, majority of labor, economic interests, the Navy, and even some Army officers are opposed to Perón and his clique but cannot unseat the latter so long as Vice President controls those officers (estimates run as low as 20%) who command troops.

It is the conviction, with which I entirely concur, of all aforementioned opposition groups that Perón and clique are fundamentally Fascist. As a result of my policies Perón group's position has been greatly weakened and the opposition so encouraged that Perón reportedly has even considered return to all-out dictatorship. However, fearing international repercussions they now appear to be veering towards a program which they believe will assure continuation of present Fascist control of Argentina's Government either by electing Perón with connivance of Collaborationist Radicals thru a semblance of free elections or if Perón's candidacy appears to be absolutely impossible then to employ a stooge, as for instance . . . who is notoriously Nazi and anti-American and who would be subservient to Perón and his clique.

Pursuant to this plan Argentine Foreign Minister ¹⁶ would appear at Rio Conference with either solemn commitment to hold elections or with the actual convocation therefor issued. Simultaneously he might present a record in respect of Nazi control comparable, for instance, to Paraguay, Uruguay, and Colombia or with a fully developed program of absorption by the Government of all Nazi firms (while actually permitting the Nazis to continue effectively in control thereof) as outlined in mytel 2035, September 1, 3 p. m.¹⁷

By reason of active and intimate German connections with and influence on Argentine Government—only less direct than Nazi-Fascist intervention in Spain—this situation is no longer purely inter-American but becomes of vital interest to all United Nations and especially to those who contributed most to winning war.

If aforescribed Perón program evolves along these lines, it will prevent any effective inter-American or United Nations action against Perón-Nazi regime as, from a strictly legal standpoint, we would no longer be able to accuse Argentine Government of noncompliance with its international commitments. Likewise, continuation of my policy

¹⁶ Juan Cooke.

¹⁷ Not printed.

for *rapprochement* of our Government and people with the Argentine people—and in due course a representative constitutional government—would become impossible of accomplishment because altho obtained thru fraudulent means there would be sufficient simulance of a constitutional representative government to prevent our claiming that it failed to meet stipulations of democracy concluded at Mexico City. Furthermore, the opposition would be reduced to virtual impotency (it is significant to observe that reliable reports from many sources indicate that Perón's plans for fraudulent elections in the Province of Buenos Aires and other important electoral districts are already well advanced). The cancerous growth of international Fascism would thus continue and probably consolidate itself in this country as a danger to U.S. and to other Republics to which it might spread (e.g. Bolivia).

Presently we have a clear case against the Argentine Government which may be measurably weakened with the passage of time if Perón is permitted to carry out his plan of ostensible but spurious compliance with Mexico City and San Francisco obligations. It is therefore urgent to thwart Perón's plan and give the opposition which has now reached the high point of its effectiveness a chance to force genuinely free and honest elections and sincere compliance with Mexico City obligations. These results may be effectively and I believe promptly obtained thru a public statement to be made by Secretary Byrnes and the Foreign Ministers of U.K., U.S.S.R., and, if possible, China and France at their forthcoming meeting in London. This declaration should begin by stating the fundamental democratic principle that govts. must rest upon the consent of the governed. It should then reiterate President Truman's, Stalin's and Attlee's recent statements that United Nations are determined not to tolerate Nazi-Fascist methods and activities anywhere in the world under any guise or form. Finally, the declaration should specify that the continuation of Fascist *de facto* govts. of Argentina and Spain either by force or thru fraudulent elections will not be countenanced. (Department will observe that I refer to Argentine and Spanish Governments as "Fascist *de facto*" in order to differentiate them from others such as Vargas in Brazil). Such a declaration would be the logical development of President Truman's statements that we do not like the Argentine and Franco regimes and that "this is the day for democracy. But our task lies ahead—the implantation of free governments throughout the world."

Self evidently Russia will go along in this program and in line with the argument set forth in mytel 1498, July 11, 6 p. m. I trust that British Labor Government can be induced along with China and

France to do likewise. It should be noted that British popularity with Argentine public has markedly diminished during last 3 months due to British Embassy having played up to Government and otherwise failed to take same stand as this Embassy.

For the long pull, I am convinced that my recommendation is the only safe, practical, economic course to follow (it should diminish possible necessity for implanting economic sanctions as mentioned in second paragraph of my 2045, September 1, 9 p. m.). If the declaration alone does not suffice then of course the signatories must be prepared to carry thru with economic sanctions. If we are forced to sanctions, the U.S. would not have to bear onus alone but could gradually impose them in cooperation with other signatories of the declaration and possibly thru Council of United Nations. Economic sanctions presently would be accepted readily by public opinion here. However, mere threat of economic sanctions should be decisive and avoid necessity for more forceful measures. My recommended program should polarize and invigorate opposition groups referred to in first paragraph and so polarize Perón clique that they would more or less automatically fall. Incidentally, such a multilateral declaration would defeat Perón's avowed purpose of playing U.S. off against Russia and England.

I fully recognize the extreme nature of foregoing recommendations. On the other hand if we appease now and allow situation to drift, we will either be faced for long time to come with a Fascist anti-U.S.A. Govt. under German tutelage and or eventually revolution in Argentina in which case supply of foodstuffs from this country might cease. Such a declaration would not of itself stop the flow of foodstuffs but probably would cure the situation and insure continuance supplies from Argentina. Of course, as Secretary Hull said in reference to Germany in his address of March 17, 1938:¹⁸ "we might if we chose turn our back on the whole problem and decline the responsibility of contributing to its solution." If we could not then turn our back on a European threat to our security still less can we do so now we have won the war for democracy in respect to a danger from within the American Hemisphere. By nipping this latest afore-described Perón maneuver for pseudo elections in the bud we probably will not only defeat it but likewise would avail ourselves of our best chance to destroy the Nazi-dictatorial-militaristic system in this country and danger of its spread elsewhere in hemisphere.

The above recommended declaration should be issued while I am still in Buenos Aires.

BRADEN

¹⁸ Address at the National Press Club, Washington; Department of State Publication No. 1146: *Our Foreign Policy*.

123 : Telegram

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

BUENOS AIRES, September 7, 1945—6 p. m.

[Received 10:30 p. m.]

2097. In course of 2 hour and half conversation with Foreign Minister yesterday morning I presented nine notes :

1. Requesting entry of U.S. experts into two German banks in liquidation.

2. Inquiring re SAFEHAVEN developments.

3. Inquiring whether the Argentine would turn over some 39 German spies;

4. Requesting detention of Ludwig Freude.¹⁹

5. Inviting the Minister for Foreign Affairs' attention to the non-closure of *Die Zeitung*.

6. Requesting any information the Argentine authorities might have re clandestine entry of Nazis into Argentina, particularly on the U-530 and U-977.

7. Suggesting that censors no longer require that international telephone conversations be held in Spanish and that Spanish translations of cables be filed.

8. Reiterating Embassy's willingness to negotiate re disagreements in connection with moving picture matters.

9. Referring to a special flight to transport penicillin to which no reply has been received.

I particularly emphasized the importance of notes re Freude and German spies.

Minister for Foreign Affairs was effusive in promises re all points raised. It remains to be seen how much he may be able to accomplish.

Minister for Foreign Affairs spontaneously stated he had already ordered removal of new offensive posters and confiscation of paper attacking me as well as arrest of Blanca Luz Brum who published them.

Cooke declared he had entered Cabinet on specific condition that there would be free and honest elections no later than first Sunday of April 1946 and that if at any time he felt this promise was not going to be fulfilled he would forthwith resign. He reiterated ardent desire for friendliest relations with U.S. which he hoped to implement thru compliance with all obligations assumed at Mexico City in respect of: (1) control of Nazis; and (2) establishment of genuine democracy in this country and requested my "frank" views in both particulars. I replied that he was entirely accurate in his analysis that both were vital. I said first was relatively clear cut situation which could be remedied by taking necessary concrete measures; while as for second, that likewise would be simple since all that had to be accomplished was for country to return to constitutional representative democracy

¹⁹ Axis espionage agent.

and that could be readily and quickly done. However, it was made far more difficult by all of the intangibles. For instance, every political party and every class of society and calling in Argentina had made characterizations of present Govt. and those views were shared by American public opinion. In other words, so long as great majority of Argentine people did not have confidence in their own Govt, it would be difficult to create confidence amongst American people necessary to bring about cordial relations. Minister for Foreign Affairs entirely agreed and expressed hope that since Perón, in order to become a candidate with any chance of success, would have to go to Radical Party Convention, he could be defeated in that gathering.

Most interesting was his flat statement that Navy as well as Army was completely Nazi, the latter, moreover, having been completely surrounded by German Nazis and that if Germany had won war it would have required only a telephone call for Nazis to have taken over entire country (*sic*). He also said when taking office he had received *carte blanche* to liquidate Axis influences and activities.

I emphasized to Minister for Foreign Affairs before leaving that it would be very helpful if he were able to take specific measures before I departed with regard to some of the matters I had referred to him. He replied I would go to Washington with concrete accomplishment in all these matters.

It is my conviction in connection with latest developments that fundamental point to remember is that Perón (with his clique) is Fascist-minded dictator who will not change his spots even though he may shift tactics. Cooke is probably anxious, if only for selfish ends, to take specific measures needed to meet charges of noncompliance. I therefore intend to press most vigorously in every sector for extirpation of Nazi activities and influence. Basically this will either secure action we wish taken against Nazi or will demonstrate that Argentines were insincere in signing final act Mexico City. It will also either drive Perón into democratic corner, where he will probably fall of his own weight or will further unmask his philosophy which should equally weaken him. Paradoxically fall of Cooke, a friendly Foreign Minister, because of failure to comply with Mexico City resolutions would probably help rather than hurt democratization of country.

Foregoing is motive for my statement reported in separate in clear telegram.²⁰

BRADEN

²⁰ No. 2095, September 7, not printed.

835.00/9-445

*The Acting Secretary of State to the Secretary of State*²¹

WASHINGTON, September 13, 1945.

DEAR MR. SECRETARY: The Argentine problem still is with us. There are enclosed copies of Mr. Braden's top secret telegrams nos. 2045 of September 1, 2066 of September 4, and 2097 of September 7. At my request, Mr. Clayton discussed these telegrams with other officers in the Department. A memorandum regarding this discussion is enclosed.²²

Ambassador Braden, in his telegram 2045, observes that the Argentine situation apparently had not been raised at the Potsdam meeting and he suggests that the British be approached on the subject during the present meeting of Foreign Ministers in London. In telegram no. 2066, Ambassador Braden reviews the Argentine situation at some length and urgently recommends that the Foreign Ministers of the Big Five Powers make a public statement during the London meeting condemning the fascist *de facto* governments of Argentina and Spain. Telegram 2097 reports on a long conversation between Ambassador Braden and the new Argentine Foreign Minister. While the Foreign Minister promised effective action on all the points raised by Mr. Braden, the latter observes that it remains to be seen how much the Foreign Minister may be able to accomplish.

Subject to your approval, and as the result of the meeting in Mr. Clayton's office, it is suggested:

1. That there be no Big Five declaration about Argentina and Spain, because it is believed that the disadvantages outweigh the advantages of having non-American Powers intervene in the Argentine situation at the present time;

2. That you might discuss the Argentine situation with the British Foreign Minister and request (a) continued British support in denying military equipment or training facilities to the present Argentine Government, (b) general British support of the effort of the United States to bring about the elimination of Axis spearhead firms and influence in Argentina and to facilitate a satisfactory solution of the political problem, and (c) to seek means, in cooperation with the United States, to eliminate the obvious danger of a German effort to utilize Latin America as a field in which to develop strength and influence for future aggression;

3. That as soon as you and Mr. Braden can confer in Washington, it would be worthwhile to again explore the possibilities of inter-American action in the Argentine situation.

²¹ The Secretary of State was attending the meeting of the Council of Foreign Ministers at London.

²² Not printed.

The substance of these three suggestions has been telegraphed to Mr. Braden and a copy of the memorandum has been sent to him by air mail pouch.

Sincerely yours,

DEAN ACHESON

835.00/9-1545 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, September 19, 1945—8 p. m.

1302. Following from Secretary in London :

"Delsec 30, Sept 18.²³ Advise Braden Council instructed by heads of govts to consider certain matters mentioned in protocol.²⁴ Argentine problems not being included, will not be considered by council. I do expect to discuss general subject with Bevin."²⁵

ACHESON

835.00/9-2745 : Telegram

The Chargé in Argentina (Cabot)²⁶ to the Secretary of State

BUENOS AIRES, September 27, 1945—11 a. m.

[Received 12:44 p. m.]

2306. It is of course too early fully to assess the significance of developments in last 48 hours.²⁷ Nevertheless, these preliminary considerations may aid Department in determining policy.

It appears that Perón and his clique have determined to return to policy of pitiless repression. Unless the Argentine people are able themselves to act, which seems improbable under present circumstances, danger foreseen in Ambassador Braden's telegram 2066, of September 4, 10 p. m. that Perón will be able to impose Fascist government fundamentally and immutably hostile to United States seems enhanced by these events. We must determine whether we can afford to tolerate such a government in this hemisphere and if not what steps we must take against it. It must be remembered that strong measures may well be required and that we cannot afford again to change our policy.

Embassy's telegram 2066, September 4, 10 p. m. I feel necessity of drastic action as proposed by Ambassador Braden is more evident than

²³ Not printed.

²⁴ For text, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945, vol. II, pp. 1477 ff.

²⁵ Ernest Bevin, British Secretary of State for Foreign Affairs.

²⁶ Ambassador Braden had left Buenos Aires for Washington on September 23 to assume his new duties as Assistant Secretary of State.

²⁷ Reference is to civic demonstrations, an abortive military revolt in Córdoba, the invoking of a state of siege, and the arrest of many individuals of prominence who participated in the mass protests.

ever. In this connection delay would be highly disadvantageous. I believe best alternative to Ambassador's recommendation would be strong Inter-American action at or before Rio Conference as mentioned in Department's 1256, September 13, 2 p. m.²⁸ Other possibilities which occur to me are a statement by Foreign Ministers in London that suspension of Argentina from United Nations will immediately be sought for violation of international commitments and sheltering of Fascist remnants; possible paralyzation of communications services; and the extreme step of warning American families to leave Argentina. Please note that economic sanctions would probably be contrary to article IV of Commercial Treaty of 1853²⁹ which we may already have violated by our special export control measures.

Of only less importance is question of what can be done to make sure that public opinion in Argentina and other American Republics fully understands apparent significance of these measures and is prepared for whatever measures we may decide to take. Recognizing that any statement issued by me will necessarily have a far more limited effect than one issued by Ambassador Braden, I nevertheless suggest that the Department might authorize me to be quoted somewhat along the following lines:

"Public opinion in United States regrets that a civic movement to restore constitutional government in Argentina is alleged by Argentine Government as the excuse to destroy the constitutional guarantees so recently rewon by Argentine people. People are asking whether it was for this that we fought and won the war for freedom and whether this is the way the Argentine Government honors the obligations it undertook in signing the Declaration of Mexico."

While local papers will probably not be permitted to publish such a statement it will undoubtedly become known through radio broadcasts from Montevideo, etc., and it might serve as a useful warning to Argentine Government that we do not intend to take latest developments lying down. In making its decision Department should consider possibility Government will tell me to leave Argentina and whether this would be beneficial or not. Also request authorization in event authorities prevent local publication of statement and any effort is made to reprimand me as was Chilean Ambassador,³⁰ to present formal protest at this violation of Mexico City Resolution XXVII.³¹

²⁸ Not printed.

²⁹ Signed July 27, 1853; see William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. 1, p. 20. Article IV deals with most-favored-nation treatment on the part of both countries.

³⁰ Alfonso Quintana Burgos.

³¹ This Resolution dealt with the matter of free access to information; for text, see *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945*, p. 69.

Department may also wish to issue a press statement expressing its surprise that these measures have been undertaken in light of principles enunciated in Declaration of Mexico and assurances given Ambassador Braden pursuant thereto.

In conclusion I must emphasize that any such statements are mere palliatives and that fundamental question posed in beginning of this message must be decided at earliest possible date.

CABOT

835.00/9-2745 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, September 27, 1945—10 p. m.

[Received 11:30 p. m.]

2334. At interview requested by Foreign Minister this evening, he said that he had wished to explain to all diplomatic representatives here reasons for political developments of last 24 hours but that he could do it only to me as a representative of country where public reaction was most important. He made a lengthy explanation of the events which could be summarized in his statement that first duty of a government is to defend itself. He said that frequently revolutionary movements have ramifications which are not clear at first point the conspiracy is discovered, and that consequently Government had been impelled to interrogate everyone who might have any part in conspiracy. He said that since 1 o'clock today Minister of Interior ³² had been personally interrogating people detained and releasing those against whom there was no evidence or who gave their word of honor that they were not involved. He assured me that it was Government's intention that state of siege should be only a temporary measure, that elections would be held as promised, and that he would continue the task of cooperating with U.S. in extirpating Nazi activities in this country in which he reiterated that he was fully backed by the Government. He warned me that in event he and other civilians were forced out of Cabinet, ruthless military dictatorship would take over and civil war would sooner or later ensue with unpredictable results. He asked a little cooperation from me. Finally, he said that it had been decided that the convocation for elections would be issued very shortly—he would not say in 5 or 10 days but very shortly—with only enough delay not to make it appear that measure was taken under pressure of events.

I carefully let him talk himself out before commenting. Then I said that I would be happy to transmit his comments to my Govern-

³² J. Hortensio Quijano.

ment. I added that in our previous interview he had asked me to speak frankly and that I would so do. I said that these events would necessarily cause the worst sort of impression on public opinion in U.S. and I believed throughout hemisphere. I pointed to fact that many internationally known Argentines were tonight in common jail, among them a Nobel prize winner and that the editors of newspapers of international fame such as *La Prensa* and *La Nación*, former foreign ministers, ambassadors, political leaders, educators, labor leaders, and students had been arrested; I agreed that it was necessary for a government to defend itself but pointed out that for the most part leaders of the civic opposition movement were involved. I stated that I was glad to hear that people were now being released but that much damage had already been done, that it inevitably appeared an attempt at intimidation, and that our respective tasks had been made far more difficult. I commented that I made these remarks not from any desire to interfere in Argentine political matters but simply because I felt a realization of the effect these measures would inevitably have abroad was necessary in conducting our relations.

Interview was in serious but friendly tone throughout. Foreign Minister is evidently still clinging to hopes and prerogatives since he could not have believed many things he said.

CABOT

835.00/10-245 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 2, 1945—6 p. m.

[Received 8:15 p. m.]

2390. It is clear from the Department's 1366, September 30, 1 p. m.,³³ that it is prepared to take such strong action against this Government that any future reconciliation would be virtually impossible. I concur that we must follow such policy and risks inherent therein.

I suggest for the Department's consideration the following general course of action:

1. In connection with the postponement of the Rio Conference,³⁴ a public statement should be issued that we found ourselves unable to negotiate [at] the same table with an Argentine delegation from present Government because: (a) It clearly does not represent Argen-

³³ Not printed; this telegram indicated Department's intent to issue a public statement relating to Argentina (835.00/9-3045). In statement released to the press on October 3, 1945, Acting Secretary Acheson stated that it was the purpose of the U.S. Government "to consult with the other American Republics in respect to the Argentine situation."

³⁴ Scheduled to convene on October 20, 1945, for the purpose of negotiating military assistance agreements.

tine people and therefore has no right to assume undertakings on their behalf; and (b) we are going to accept no further promises until those made have been fulfilled. I believe that the effect of this announcement would be a blow to the Argentine Government and an encouragement to the opposition; it would give pause to those elements in the other Republics that still seek to avoid Argentine aggression by appeasing Perón and his clique; and it could scarcely be called interference in Argentine internal affairs.

2. No discussion of a new Ambassador until this Government has retreated from its arbitrary position in some important sector, for example, when elections are formally convoked on reasonably decent basis. Naming of an Ambassador at present moment would dishearten democratic forces; but on other hand, I continue to believe that one should be appointed at earliest date compatible with above to strengthen our foothold in enemy camp.

3. Action at the earliest possible moment in the United Nations' Council to suspend Argentina from membership on grounds of persistent violation of its international obligations with danger to peace.

4. The issuance from time to time of factual case histories of Argentina's failure to fulfill obligations. I strongly recommend against any policy of calling names or making faces at present Government except that Perón and his clique should be laughed at as tinsel demagogues when suitable opportunity offers.

5. Use of whatever propaganda channels may be open to us in other American Republics and elsewhere to increase agitation in favor of Argentine democracy.

6. Movement should be initiated by which organizations corresponding to organizations persecuted in Argentina express their solidarity with such Argentine institutions. I believe that if Argentine universities, scientific and professional societies, cultural societies, etc., should feel that their individual struggle was being watched by entire world, it would increase strength of their resistance.

7. Consideration should be given to denunciation of 1853 Treaty to clear the way for restriction on export of vital items, curtailment of shipping and other communications, etc.

8. Seizing every further opportunity which may offer itself to dishearten the Argentine Government and encourage democratic elements.

If we are able to keep the local pot really boiling for some months to come, I am fairly hopeful that there will be a break somewhere. Democratic forces are beginning to move forward, if very cautiously, on their own steam. I am assured that a large clandestine organization still does exist and has been little affected by recent events although its effectiveness is open to doubt. On other hand, the forces on which Government must depend, the Army and police are by unanimous agreement growing steadily less loyal to Government. This process may well be accelerated when new recruits are inducted from civilian life next January. Some blunder of Government or crisis induced by economic or international factors might therefore well precipitate a break.

If something does not happen by next spring, let us say, and it becomes clear to all the world that Government promises are false as we believe them to be, then we shall not only be in stronger position to act from diplomatic standpoint but also Europe would be less likely to suffer from any economic or military measures we might take against Argentina. We must, however, take sufficiently vigorous and continuous measures to assure democratic forces that we intend to see matter through, thus sustaining their morale. Obviously we do not want to place ourselves in position of using coercive measures if by patience they can possibly be avoided. I fear that strong multi-lateral measures either through inter-American system or through the United Nations may prove impossible and any failure of an effort on our part to secure such measures, any weakening once such measures are instituted, and, more particularly, any [ill]-conceived unilateral measures of coercion would be utterly disastrous.

Let us hold such measures as a final resort when it is demonstrable that present trend of Argentine people to work the problem out for themselves has failed to achieve its purpose.

CABOT

710 Consultation 4/10-345: Circular telegram

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

WASHINGTON, October 3, 1945—3 p. m.

With reference to my press statement on Argentine situation telegraphed today ³⁵ please discuss as soon as possible with Foreign Minister of country to which you are accredited (except in the case of Argentina) the question of consultation about the Argentine situation.

Dept believes such consultation necessary because of failure of present Argentine Government to fulfill obligations it undertook, at invitation of other American republics, by its signature of Mexico City resolutions. Dept also believes consultation might be best carried out through diplomatic channels.

Please telegraph views of Foreign Minister regarding necessity for consultation and method preferred.

ACHESON

[For documentation regarding Uruguayan proposal in response to this U. S. initiative, see page 185 ff.]

³⁵ See footnote 33, p. 415.

835.00/10-545 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 5, 1945—3 p. m.

[Received 3:05 p. m.]

2438. Police began moving into Buenos Aires University buildings this morning 6 a. m. and by 7:30 were in full possession. Between 1,500 and 2,000 students arrested including some 130 girls. Action accomplished without incidents although street riot last night between opposing student groups resulted in one death and in dispersing another demonstrating group police caused several injuries. Santa Fé and Córdoba Universities have adopted resolutions similar to that Buenos Aires (Emtel 2430, October 4, 8 p.m.³⁶) and it is expected remaining universities will do likewise. No reports yet received but presumably police either have occupied or will soon occupy all remaining universities of country. Reportedly 15 persons injured in connection with occupation La Plata University yesterday.

CABOT

835.00/10-1045 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 10, 1945—10 a. m.

[Received 10:06 a. m.]

2486. In official announcement last night Quijano stated Perón's resignation conforms with promise to resign before convocation elections; decree will be issued October 12. Later in evening Foreign Minister in press interview said he "supposed" elections would be convoked for first Sunday April and that cancellation President's trip to Paso de los Libres delayed announcement convocation decree. In reply to question Foreign Minister said he would not be surprised if Colonel Perón would be presidential candidate.

Chief of Police Velasco³⁷ and Assistant Chief Molina resigned last night but not before measures even more violent than usual had been taken by police to disperse crowds gathered in streets to celebrate news Perón's resignation. In melee at least four persons shot, three of them on street in front Embassy. Newspapers this morning report enthusiastic manifestations in various interior cities without serious efforts by police at dispersal; this confirmed from Córdoba by Embassy officer there.

CABOT

³⁶ Not printed; these resolutions were reaffirmations of university autonomy (835.00/10-445).

³⁷ Col. Filomeno Velasco; he was reported on October 19 to have returned to his post.

835.00/10-1045 : Circular telegram

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

WASHINGTON, October 10, 1945—5 p. m.

Deptcirtel October 3, 3 p. m. Please call on FonMin of Country to which you are accredited (except Argentina) and give him substance, by informal memorandum if you consider that desirable, of following information about consultation on Argentine situation.

Seventeen governments, including US, already have expressed opinion that consultation is desirable and should be carried out through diplomatic channels.

Among suggestions made by other governments are that: (a) consultation be limited to failure Argentine Government to comply with obligations under Mexico City Resolutions; (b) information be exchanged regarding evidence of such failure; (c) that no unilateral action be taken pending conclusion of consultation; (d) that consideration be given to appointment of investigating committee of four or five FonMins to report on failure of Argentine Government to comply with inter-American commitments; and (e) that consideration be given to desirability of some action by the United Nations Organization. (We have not attempted thus far to evaluate these suggestions).

Department now preparing summary of information available which will be transmitted to you as soon as possible. Basis is that establishment of totalitarian type government in hemisphere is serious threat to inter-American welfare, security and solidarity, and a negation of democratic principles which are foundation of inter-American system. Failure to eliminate Axis interests and influence and a lenient or sympathetic attitude toward reestablishment of former German organization and influence in the American republics are important factors in this study.

Pattern of totalitarian governments such as those of Germany and Japan is familiar to world. There first is suppression and censorship of press and of freedom of information, and denial of individual rights and liberties. There follows a system of brutal police methods and a use of national resources to build up the military establishment. International treaties and agreements then are ignored or violated, with the inevitable danger of aggression.

Department has received much information from the most reputable elements in Argentina which serves to condemn the Argentine Government on many of these counts. It is suggested that the governments of the other American republics verify these reports through their own sources. (For your guidance Department places great importance on having respective governments verify these reports through various

Argentine sources as well as through responsible Argentine citizens now resident in other republics). Argentine newspapers which have a world-wide reputation have been prevented by the Argentine Government from reflecting the views of the Argentine people and from exercising the essential leadership which is one of the first responsibilities of a free press. Argentine organizations and individual citizens have recorded their condemnation of abuses against constitutional rights and civil liberties. Important Nazi agents on whom Department possesses abundant incriminating evidence have been permitted to remain free despite repeated representations by this Government that they be arrested.

In addition, Department has documentation regarding German activities in Argentina directed against the United Nations and consequently against all of the American republics.

Record of compliance of Argentine Government with obligations under Mexico City resolutions might be examined with particular reference to Resolution VII regarding elimination of remaining centers of subversive influence, Resolution VIII on reciprocal assistance and inter-American solidarity, Resolution XI on inter-American principles set forth in Declaration of Mexico, Resolution XIX on control of enemy properties, Resolution XXVI re crimes of aggression against the American republics, Resolution XXVII on free access to information, Resolution XL re international protection of essential rights of man, and Resolution LIX regarding Argentina.

Please express to FonMin interest of Department in receiving additional information and views of his Government regarding the carrying out and completion of the consultation.

BYRNES

711.35/10-1845: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 18, 1945—4 p. m.

[Received October 18—2:48 p. m.]

2577. Would appreciate immediate instructions as to whether I am to continue relations with Argentine Government. I see little legal excuse for withdrawing recognition but question of our position in event of civil war makes consideration this problem appear advisable.

CABOT

835.00/10-1945 : Circular airgram

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

WASHINGTON, October 19, 1945—9:40 a. m.

Perón Returns to Power—Colonel Perón has returned to power in Argentina. Events are moving so rapidly and popular emotions are being so strongly swayed that adequate interpretation is impossible. The strong man of Argentina's army-dominated Government who fell from power a few days ago and was reportedly sent to prison by the forces behind the Government, returned to Buenos Aires yesterday.

The sequence of events, all of which are not yet reliably confirmed, appears to be as follows. While labor unions were striking and calling for Perón, President Farrell announced that Perón was not imprisoned but simply in protective custody. Army officers including Minister of War Avalos visited Perón in a Buenos Aires hospital offering him the Government in the name of President Farrell. Perón refused but named a Minister of War and Police Chief he wished to have appointed. Later, President Farrell announced that the Cabinet had resigned and that Mercante,³⁸ a man favored by Peron would be Secretary of Labor. Farrell also said the Government would not be handed over to the Supreme Court, a move the directorate of the combined political parties had been urging. One newspaper has already announced a new pro-Perón cabinet. To culminate Perón's victory, the Colonel spoke before a great throng hailing the day's series of events as a great victory for the working classes.

Embassy Buenos Aires' first assessment of the situation is as follows. Minister of War Avalos and Foreign Minister Admiral Vernango do not seem to have had the courage and firmness to face Perón's maneuvers early enough, nor did the civilian anti-Perón elements act quickly enough. The Attorney General,³⁹ who had been charged with the forming of a Cabinet did not obtain acceptances until just before Perón's return to power.

Clearly this is not an overthrow of government by popular will and the enthusiasm of the crowds to considerable measure has been synthetically generated. Cortesi of the *New York Times* notes, however, that while old line labor leaders are anti-Perón, the rank and file of labor may feel Perón is a benefactor and moreover be apprehensive lest a new Government be too conservative. The importance of the strategically located pro-Perón unions may have affected

³⁸ Presumably Hugo Mercante.

³⁹ Antonio Juan Benítez.

Avalos' decision. Farrell obviously walked out on his word again. The police, which has not yet been purged of Peronista elements, has apparently aided pro-Perón forces. The decision must now rest with the army and navy, principally the former. It has been reliably reported that the navy is moving out and that a reaction is brewing in the Campo de Mayo. Anti-Perón forces are not yet in evidence, but it cannot be assumed that these efforts are over. Civil war appears quite possible. General strike plans continue.

BYRNES

835.00/10-1945 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 19, 1945—6 p. m.

[Received October 19—5 p. m.]

2591. Opinion is widespread in Buenos Aires both in Government circles and opposition that delay regarding Braden's nomination by Senate Committee had important influence in most recent overturn.

Pro-Perón *La Epoca* recently claimed that failure of Senate to act showed that Braden did not represent American opinion while opposition elements were disconcerted and disheartened.

Another influence was that many Army officers would not tolerate use by Perón of Army and Government to force his election on the country, but on the other hand were not opposed to or favored his candidacy. Imprisonment at Martín García made him martyr in their eyes despite the fact it was obviously unrealistic to leave so dangerous a man at large to plot.

CABOT

835.00/10-1945 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 19, 1945—8 p. m.

[Received 9:54 p. m.]

2598. Fascist nature of Perón regime again emphasized by yesterday's events. Manifestations showed excellent organization of hoodlums on Fascist lines like Brown Shirts and Black Shirts. Events again indicate that Perón plans a proletarian, totalitarian dictatorship with army and police support.

Unless successful reaction quickly occurs, Perón's comeback is likely to result in fairly long step forward toward social revolution in Argentina. With extremes of wealth and poverty, this in itself is perhaps proper; tragedy is that a Fascist dictator is leading it and using such methods.

Conservative opposition by their miserable failure to face realities have permitted Perón's return to power apparently stronger than ever. Until democratic elements gain prestige and achieve cohesive leadership and organization, it is evident that choice is probably Perón or chaos rather than Perón or democracy. Effect of Perón's social measures will probably leave their mark on Argentine social thinking for years.

General strike yesterday is likely to give labor confidence in own power overlooking active support of police and leadership of Fascist hoodlums. Thereby a second effort to oust Perón should be more difficult. An attempt on Perón's life would not surprise me. Also old rumors of lung cancer have been revived.

As I see it, three major lines of policy are open to U.S.:

(1) We could appease. With Cooke ⁴⁰ again in, Perón embarking on social reforms and his popularity probably growing, some of our best arguments against conciliation are disappearing. It is even possible that he would be able to win if there were free elections although few people believe there will be. I consider this policy fundamentally unsound for four reasons:

(a) Nazi machine is unbroken and will probably remain unbroken as long as Perón is in, regardless of any efforts by Cooke.

(b) Basic peril of an aggressive leftist totalitarianism in this hemisphere would remain unsolved.

(c) We have gone too far to reverse ourselves.

(d) Public opinion both in U.S. and in other American Republics would presumably be opposed to any appeasement.

(2) We could for the time being rightly say that internal Argentine situation is a mess. While making clear on all appropriate occasions our democratic ideas and our principles regarding social and labor matters, we could then pursue a crackdown against Nazis and maintain firm attitude vis-à-vis this Government in all international affairs. We could endeavor to convince other American Republics of fundamental insincerity of Argentine totalitarian regime and danger its continuance represents for entire continent including themselves. I believe that this course is preferable to No. 3 even though it does not promise immediate results:

(a) Because it does not involve any international collaboration which we may not be able to secure;

(b) Because it should not poison our relations with Argentina and other countries for years to come;

(c) Because it should not reduce Argentina to chaos as I fear 3 would;

(d) Because it should not stop food supplies to Europe.

Such a policy might follow the general lines outlined in my 2390, October 2, 6 p. m. and include publication of damaging documents

⁴⁰ Minister for Foreign Affairs.

mentioned in my 2582, October 18, 8 p. m.⁴³ also negotiation of strongest inter-American resolutions which can be secured from other Republics not involving economic sanctions.

(3) We could adopt policy of full crackdown on Argentina involving possibility of economic sanctions and even military action if this proved necessary. Granting this is the only means of destroying Fascist regime in its inception, I am inclined to doubt its wisdom for reasons mentioned above. I would in any case suggest that active steps be delayed, as suggested in my 2390.

Department should, of course, appreciate in making policy decisions that another startling reversal might make any decision obsolete at any given moment. I have discussed existing situation with many qualified observers and consensus overwhelmingly supports views regarding Perón's situation and prospect set forth above, nevertheless recent events have proved that anything can happen here.

Foregoing was drafted before my 2597⁴³ of today. It emphasizes truth preceding sentence but I believe bears out my recommendations.

CABOT

711.35/10-1845 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 20, 1945—1 p. m.

1473. Urtel 2577, Oct 18. As long as Farrell remains President Dept believes question recognition does not arise and relations with Arg Govt should continue. This decision subject to review depending on events in Argentina.

BYRNES

835.00/10-1945 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 23, 1945—7 p. m.

1488. From Braden. Your helpful and thought provocative telegram no. 2598, Oct. 19, plus the general burden of your other reporting, in general coincides with our views here.

The situation there in many particulars is reminiscent of Lord Halifax's comment respecting aggression, i.e., we know that the Nazi connections have existed just as we know how flagrantly the Perón regime has and is violating every principle for which we stand and to which we are pledged in respect of human rights and liberties, but to prove these facts before an international gathering, especially where

⁴³ Not printed.

some of those present will be sympathetic to the accused, would be extremely difficult (and presents potential dangers).

Despite the foregoing, we will in the future suffer many thousand fold if we pursue a do-nothing or appeasement policy. In other words, it is essential that the ball be kept rolling. There is one way in which this might be effectively done with even the possibility of full success, viz., if possible, some of the ablest advocates of a return to constitutional government such as Julio Noble,⁴⁴ Américo Ghioldi,⁴⁵ etc. should forthwith get out to the capitals of the other American republics and forcefully plead their cause and place the facts before the other governments and peoples in an intensive, persistent and convincing campaign. Only in this manner can they expect to overcome the propaganda and other activities of Fascist inclined sympathizers of Perón in each of our republics including the United States.

The Argentine people themselves must act. [Braden.]

BYRNES

835.00/10-2345 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 23, 1945—8 p. m.

[Received October 23—7 : 15 p. m.]

2635. I am greatly disturbed at effect which press accounts published locally of Senate debate on Braden's nomination will have here. As indicated in my telegram 2591, October 19, 6 p. m. reported comments and inaction of Senate Committee had considerable influence on Perón comeback. Reports printed locally of Senate debate indicate several prominent Senators criticized Braden's alleged interference in Argentina's internal affairs and that no Senator arose either to denounce the vicious Fascist clique now in power here or to mention danger Argentina may become a refuge in which Germany can brew third world war. Net effect of debates plus recent *New York Times* editorial⁴⁶ will be to give impression locally we are off on another tangent in regard to Argentine policy.

I scarcely need emphasize to Department how difficult this will make Embassy's position. Perón clique will obviously feel Embassy and anything it says can be disregarded with impunity. Opposition democratic elements will feel that we have let them down again and will despair of ever ousting Perón (not that they were ever likely to have done so by themselves). The arrival of Hellmuth⁴⁷ today is another disastrous development Embassy must face.

⁴⁴ Distinguished Argentine engineer and politician.

⁴⁵ Editor of the Socialist newspaper *La Vanguardia*.

⁴⁶ Presumably that of October 7, 1945.

⁴⁷ Osmar Alberto Hellmuth, Nazi espionage agent.

ReEmbtel 2582, October 18, 8 p. m.⁵² Would greatly appreciate any information Department can give me re its proposed course toward Argentina in light of past fortnight's developments. For example, does Department plan to publish any material obtained in Germany? In this event it should presumably communicate material to Argentine Embassy simultaneously with publication in accordance with spirit of Mexico City Resolutions.

CABOT

835.00/10-1945 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 26, 1945—8 p. m.

1517. Preliminary replies from the other American Govts regarding consultation on the Argentine situation emphasize the opinion of many of them that no action should be taken pending the completion of consultation. Views expressed in Deptel 1488, Oct 23, must, of course, be taken in conjunction with our established policy of consultation and of multilateral approach to the whole Argentine problem. The fact remains that it is the Argentine people themselves who are responsible in the last analysis for the solution of their political problems.

BYRNES

835.00/11-1745

The Chargé in Argentina (Cabot) to the Director, Office of American Republic Affairs (Briggs)

BUENOS AIRES, November 17, 1945.

DEAR ELLIS: I should like to put before you for what they are worth certain thoughts I have had on the present situation here in Argentina. I recognize that they may shock many people but I do think that they merit consideration in checking our policy.

Two questions appear to me to be fundamental in any determination of policy: 1, Are Perón and his clique inherently fascist? 2, Are they essentially Nazi stooges? A crack-down policy such as we are now pursuing must be predicated on an affirmative answer to one of these two questions. Many people would say yes to both. I gather Spruille's⁵³ answer would be "yes" to the first and "probably" to the second.

The question whether Perón and his clique are inherently fascist is vital because of the bearing it must have on our obligations not to

⁵² Not printed.

⁵³ Spruille Braden.

intervene in Argentine internal affairs. Unless the Argentine regime is inherently fascist the various non-intervention obligations which we have must prevail against any unilateral action, no matter how much we may detest many acts of the present Argentine regime. More: we must, I feel, be in a position to prove beyond reasonable doubt the inherently aggressive character of this fascism. Fascism is a very flexible term and I think that it may fairly be said that in Portugal and in Vargas's⁵⁴ Brazil it has not proved inherently aggressive.

There are many evidences of the fascist character of this Government: its dictatorial nature; its military backing; its treatment of labor; its use of *atorrantes*, much as black and brown shirts were used in Europe; its outrageous disregard of civil rights and other repressive measures; Perón's background; its demagoguery; its use of whipping-boys (such as the oligarchy, foreign capital, and the Jews) to stir popular feeling—in short, rather an impressive total of evidence. But there is a fairly impressive amount of evidence to indicate that Argentina is not and can never become truly fascist. With the newspapers fairly free, violent anti-Government speeches being openly made every day, the opposition political parties organizing and holding public manifestations, independent labor still holding many of its positions, the courts dropping banana skins under the Government from time to time, the town buzzing with anti-Government talk, and the supposed dictator quite evidently not 100 percent in control of the Government, it seems to me that it can scarcely be said that true fascism has as yet been reached. As for the danger that it will be reached, in other words, that we may be in the pre-1922 or -1933 stages of fascism here, one of course cannot afford to be too positive. It is a natural assumption that if and when Perón becomes President he may seek to set up a fascist state. Against this, however, are two potent factors: 1, the hurly-burly of Argentine politics, which under a constitutional regime would make it the more difficult for Perón to be complete master of the situation (he would have to juggle the Constitution, the courts, Congress, the Army, the Cabinet, etc.), and 2, the inherently unruly nature of Argentines (I wish you could drive a few hundred yards down a Buenos Aires street and you would understand what I mean).

As for the aggressive intentions of this Government, we have also a certain amount of evidence: a lot of money is being spent on the Army; Perón has delivered some rather bellicose speeches; Farrell and Perón undoubtedly connived in the Bolivian Revolution in 1943;⁵⁵ Argentina has thrown its economic weight around against neighboring

⁵⁴ Getulio Vargas, President of Brazil.

⁵⁵ For documentation on non-recognition by the United States of the revolutionary regime in Bolivia, see *Foreign Relations*, 1943, vol. v, pp. 533 ff.

countries needing her food; etc., etc. I do not doubt, however, that the Argentine Army has honest misgivings about the shifting of the military balance in favor of Brazil; others than Perón, both in Argentina and the United States, have made speeches showing that they coveted other people's vegetable patches; and Argentine economic sanctions against neighbors have, I believe, been used in most instances as counter-attacks against concerted action led by us.

In short, although there is much evidence of the growth of aggressive fascism in this country, I doubt that it is conclusive. While we assert with the greatest assurance that this Government is fascist, there are many people in other parts of the world who may by no means be convinced of this. More particularly, and this I wish to stress, I do not believe that we can justify avowedly coercive measures, even multilateral, on the basis of the comparatively nebulous proof we now have that Perón is plotting aggression. Unless we are to act on the basis of the available material regarding the Bolivian Revolution, and I see serious objections to such a course, I think we must await clearer proof of contemplated aggression.

In regard to Perón's innumerable violations of fundamental freedoms, I find it necessary to point out that at least one republic (Brazil) is more fascist in form than Argentina; that several (Dominican Republic, Bolivia) more grossly violate civil rights (for example, so far as I know, no one has been executed here yet); that several have less freedom of the press; that various of them have done less against Nazi activities; and that some (Perú, Guatemala) have been more aggressive. Again, if we are to crack down on Argentina for its role in the Bolivian Revolution, are we to crack down on Mexico for its interference in Central America? . . .

The second great point which we have against the present Argentine regime is its obvious dalliance with Nazism. Some Embassy officers believe that the present regime is being actually directed from behind the scenes by Nazis. A more general belief is that this crowd is hand-in-glove with the Nazis. If Argentina is to become a base from which the Nazis may plot and contrive a third world war, then obviously no measure, even military sanctions, would be too strong for us to take.

There are still plenty of Nazis active in Argentina today. No Nazis have as yet been deported, although we hope to get some out in the near future. The leading Nazi firms, although for the most part intervened and controlled, have not been liquidated. Men like Freude and Delfino are still free to plot and contrive. The Government still deals with Proclaimed List firms and there is generally an important discrepancy between what has been done on paper and what has been done in fact.

I fear, however, that against these decided lapses on the part of the Argentine regime we must put certain acts which scarcely fit into the

picture of a Nazi-run government. Argentina is at war; practically all German propaganda has been stopped by the Government; the Embassy has been closed and we have access to its remaining records; German spy rings have been rather completely broken up; most of the leading German firms are intervened or controlled and the liquidation of a number of them has at least been ordered; we have been given access to the German banks; some leading German agents are to be expelled and others are apparently to follow; an extremely good **SAFEHAVEN** decree has at least been issued; two submarines have been turned over to us; and despite all rumors there is evidently not a scintilla of evidence that there is anything behind their having come to Argentina; Axis schools have been closed; most of the notoriously Nazi members of the Government are out of office (there are of course important exceptions . . .). If you read the picture of Argentina as described in 1941 and '42 and compare it with the present I think that you must be convinced of the great progress which has been made in suppressing Nazi activities.

It is distinctly disturbing for me at a moment that we are trying to convince the other American Republics of the necessity for a joint crack-down on Argentina to have the Embassy's economic warfare experts tell me that we have no case against Argentina for non-compliance with economic warfare measures agreed between the American Republics, notably Resolutions XVIII and XIX of the Mexico City Conference, and to have the Legal Attaché inform me that we have no case against Argentina regarding subversive activities, notably under Mexico City Resolution VII.

Needless to say, this situation may change. Particularly I had been hoping that the documents from Germany would confirm our suspicions and damn this Government beyond retrieval. Perhaps we shall yet uncover convincing evidence, but Spruille in his letter of October 24 said that Carl Spaeth ⁵⁹ felt that we did not have a good court case.

It seems to me that our present attitude toward the Argentine regime is based to a very considerable extent on a series of factors which has not led us to wholly logical conclusions. Historically Argentina was the bad boy among the American Republics for many years before the present crisis. During the actual hostilities Argentina was unduly friendly to the Axis. There were many pro-Nazis in Argentina and an unduly high concentration of them in government circles. There was a wide margin between promise and fulfilment by Argentina. Because of Argentine recalcitrance inter-American solidarity was broken and it became more difficult to keep the other American Repub-

⁵⁹ Chief of the Division of River Plate Affairs.

lies in line. Argentina was a base from which the Nazis could carry on their activities throughout this Hemisphere. Finally, we inherently dislike a regime like Castillo's,⁶⁰ which was founded on fraud, and one like Farrell's, which is founded on violence. Our bitterness at Argentina, it seems to me, is largely based on a consistently poor and laggardly performance rather than on overt acts, and perhaps a bit on the fact that Argentina's failure to play ball has materially profited her.

There is a further factor in all this: Argentina is badly in need of social reforms. Social legislation is largely antiquated, if not non-existent. There are immense discrepancies in wealth. Land is notoriously held by a few landlords; the industrialists have used war scarcities to gouge the public (I wish you could see what they have the nerve to charge for some ordinary articles produced in Argentina). Perón, using largely fascist methods, is beginning to make some social reforms. Naturally I don't care for his methods and I doubt the wisdom of some of his measures, but at least he is doing something. As a result he is steadily gaining support among the lower classes. The people most vociferous in the opposition were by no means notable for their democratic leanings three years ago—quite the contrary, it was they who were largely responsible, by their reactionary policies, for the present mess here. It was they in many instances who were fractious regarding Pan-Americanism, if not downright anti-American. In short, while I have no desire to play into Perón's hands, I can see danger that we shall not only be accused of blocking social reform but, worse, that we shall be charged with the worst sort of dollar diplomacy to protect our capital from the legitimate demands of Argentine labor.

I suppose that I get somewhat impatient about social reforms as a result of what I hear in society. The old families here make New York bankers sound like William Z. Foster.⁶¹

There is yet another factor in the situation which to my mind cannot be disregarded. We have assumed almost without giving it a second thought that the elections would be grossly fraudulent, because Perón would not have a Chinaman's chance in fair elections. Various cool-headed observers are by no means as certain of either assumption now as they were until quite recently. I know that Perón is saying that he can win in fair elections. The Government is going to rather extraordinary lengths to insist upon its intention to give fair elections, and, although I still believe that the chance of fair elections is comparatively small, I do not think that we can afford altogether to eliminate

⁶⁰ Ramón S. Castillo, Argentine President from June 27, 1942 to June 4, 1943.

⁶¹ National Chairman, Communist Party of the United States.

from our calculations the possibility that Perón may win in reasonably fair elections.

You may think that all of the above adds up to a plea for appeasement à la Rockefeller. I have no intention of making any such recommendation. Spruille proved that the only way to deal with this Government was to be tough. There is still much to be accomplished in cleaning out Nazi activities, largely because of Argentina's failures in the past, but partly because of our own delays. I have always felt and I continue to feel that we must move in on this situation as fast and as thoroughly as we can. Moreover, I think that we must make perfectly clear on every suitable occasion our support of democratic principles and our repudiation of the worst acts of this Government. By such methods we can encourage and aid the democratic forces in this country and I hope accomplish our own main objectives.

The point I wish to make is that we should not carry our crack-down policy to such extremes that it becomes *contraproducente*. We thought at one time that the Argentine people would accept economic sanctions to get rid of this Government. Today I earnestly doubt that this is the case. We are seeking through consultation to line up the other American Republics against this Government. I do not know to what extent we may be justified in doing this. Personally I should be very happy to see the Uruguayan proposal⁶² adopted by the free will of the twenty-one American Republics; I question whether even a bare majority will willingly subscribe to it if it means possible intervention in their internal affairs. Perhaps they would accept it if it implied moral pressure only. But if the little I hear about consultations down here is any criterion I gather that a number of the Republics are showing reluctance and even balkiness in following our initiative. If the Argentine regime were as bad as it is generally pictured I would agree that this was an obstacle which had to be overcome. But I am disturbed at the way the term Nazi-Fascist is sometimes used. When I was in Washington I heard innumerable government officials in CCA⁶³ countries so described, and the war record simply didn't bear it out.

The fact that we are consulting is of course a restraining influence on this regime. But in view of the lack pictured above of an adequate basis for a crack-down, I do not see how we can justify the very serious risks that we are running of wrecking the inter-American system and the Good Neighbor Policy which are inherent in any effort to achieve an effective crackdown on Argentina. I must also emphasize as I have so many times in the past that we must not go for-

⁶² See *ante*, pp. 185 ff.

⁶³ Symbol for the Division of Caribbean and Central American Affairs.

ward on an all-out crack-down policy only to find that we are not prepared, when the time comes, to take the necessary measures to achieve our goal. To embark on such a policy without being prepared to carry it through would further bewilder everyone and eventually wreck the policy.

Furthermore I question the advisability of a policy of merely making ourselves disagreeable on all possible occasions in speech and action. Certain things we must say, for example that our sympathies are definitely with democratic processes; certain things we must do, for example maintain our embargo on shipments of war material. I do not believe, however, that it is wise gratuitously to shy a brick at the Argentine regime every time we say anything in public. I feel that there would have been little point to having rebuffed the Argentine Army by routing General Bissell⁶⁴ around Argentina as the State Department tried to do, quite apart from the inconvenience to General Bissell; and I fear that our failure to consult Argentina in a number of matters regarding which all the other American Republics were consulted is rather futile. Such actions neither help essentially to make more clear our repudiation of this regime, nor do they contribute notably to the overthrow of Perón. To many people sitting on the fence in Argentina they merely sound bad-tempered. I particularly call to your attention that our recently abandoned policy of economic restrictions may, due to the time lapse, well result in starvation, not to mention undesirable political repercussions, in Europe, all for the sake of dubious political advantages. Although we had no way of knowing how serious the results might be in Europe, it was always clear that Europe and the Argentine public would be hit earlier than Perón. I also question the wisdom of refusing to take Argentine students in our army training courses. . . . I continue to believe that missions should wait till after the elections.

It is very important for us to realize that if the Argentines choose to use it, we are building up rather a bad case against ourselves in our dealings with Argentina. Our failure to consult, in spite of our commitments to do so, is one instance in point, although mitigated by some previous actions of Argentina. Our failure to exchange information, e.g. the Von Thermann⁶⁵ report, is another. We are clearly violating the 1853 treaty by maintaining discriminatory export permits for Argentina. . . .

Perhaps I feel somewhat upset about the present situation precisely because I must be disagreeable on all possible occasions and I therefore

⁶⁴ Brig. Gen. Clayton Bissell, on the occasion of an inspection trip to various Latin American countries.

⁶⁵ Baron Edmund von Thermann, German Ambassador to Argentina.

have so little to give in return for my many demands. One effect, of course, is that our own information is faulty inasmuch as both our policy and that of the Argentine regime precludes any close contact between the higher officials of this Embassy and the higher officials of the Argentine Government.

You will doubtless feel that there is a lack of consistency between my views now and those I held two months ago. I am not sure that this view would be justified because of changes in the situation which have occurred in the interval. In September we assumed:

- (1) That Perón had practically no popular support;
- (2) That we were prepared to see a crack-down policy through to the end;
- (3) That the democratic elements could successfully take over if given the opportunity; and
- (4) (Until Cooke's arrival) that we could never get rid of the Nazis under the present regime.

Moreover, elections had not been convoked.

Although none of these hypotheses has been completely destroyed, they all have been greatly weakened by subsequent events. We know (1) that Perón has a substantial measure of support among the poorer classes (I have, for example, seen a private estimate . . . that 50 percent of organized labor backs Perón); (2) that even the United States is not prepared for a full crack-down policy, let alone other countries; (3) that the democratic opposition got the opportunity which Spruille's courageous stand won for them and proceeded to make the most ungodly, miserable mess of it; and (4) that we have, as Spruille foresaw, made great inroads on Nazi activities (although we should not be unduly optimistic about future progress, I think we can look forward to getting even further, at least as long as Cooke remains in office). Elections have now been convoked, and although few people expect them to be fair, it is generally felt that there are limits to possible fraud.

There is, of course, another factor which is that the Argentines themselves are realizing ever more strongly that this is an Argentine problem which they must solve themselves; despite the mess they made of it in October, they may have acquired some wisdom through their failure. They are making progress toward political unity and, as various Embassy reports have shown, they are giving indications of digging their toes in to fight it out if that proves necessary.

On the basis of the above analysis, I believe that our policy should basically be a continued full crack-down on the Nazis and a cold, not a hot-tempered policy towards the present Government.

This letter is horribly long and I suppose you will scarcely have time to read, let alone to analyze it. I do not need to tell you how greatly

I would value your views with respect to the many misgivings I feel. It is easy to criticize a policy, as I know only too well from criticisms when I was on the receiving end in Washington. I hope that my views are not based on faulty information or on an unobjective analysis of the facts of the situation. If I am right, I am sure you will agree that it is most important to bear my thoughts in mind from this very moment on. I see no need for any great outward change in policy, but I do think that there is need for a change in our thinking about the Argentine situation.

With all best wishes,

Sincerely,

JOHN M. CABOT

P.S. Curiously enough, the above was drafted before my conversation with the Foreign Minister, in which he used many of the same arguments and asked for the Von Thermann statement. Also, last night Enrique Gil⁶⁷ emphasized that we should quietly withdraw from the political picture; we could do little good and might do much harm. Pinedo⁶⁸ disagreed with him.

835.00/11-2145 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, November 21, 1945—6 p. m.

[Received November 21—4:40 p. m.]

2927. Serious source within Peruvian Embassy reports as "absolutely certain" that Cooke has told unidentified chief of foreign mission in Buenos Aires date of Argentine elections was advanced on suggestion Bevin.⁶⁹ Cooke reportedly stated Bevin proposed various actions by Argentine Govt., of which first was advance in election date, to avoid decision by United Nations Assembly to expel Argentina from United Nations.

Source places two possible interpretations on Cooke's remarks: Either story of Bevin's advice is true and England is endeavoring protect Argentina (and British investments this country) or Cooke is attempting spread impression of close British-Argentine relations.

CABOT

⁶⁷ Editor of *La Semana Financiera*.

⁶⁸ Federico Pinedo, leader of the Nationalist Democratic Party.

⁶⁹ Ernest Bevin, British Secretary of State for Foreign Affairs.

835.00/11-2045 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, November 24, 1945—6 p. m.

1665. Urtel 2910, Nov 20.⁷⁰ Secret circular instruction re political activities American citizens and companies should reach field soon. It points out strong feeling Dept that any such activities, including campaign contributions, are bad business, complicate international relations, involve Dept, and that those engaging in such activities need not expect any assistance from Dept or diplomatic missions. Instruction also states Dept will give full assistance to legitimate American business interests abroad.

While public announcement not considered desirable present time you may inform American businessmen of foregoing substance of circular instruction and state it represents Depts position.

BYRNES

835.00/11-2645 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, November 26, 1945—8 p. m.

[Received November 26—8 p. m.]

2971. I should be very grateful if Department would give further consideration to its instruction 1665, November 24, 6 p. m. re political activities of American citizens and companies. It seems to me highly important that publicity be given to Department's policy:

1. In order that Argentine Government, political leaders, and public may know about it;
2. In order that everyone may know everyone else knows what our policy is, thus lessening special pressures and attempts at evasion;
3. In order that no one may profess ignorance; and
4. In order that rumors and half-truths may not give rise to erroneous interpretations.

I assume that Department may not want publicity at least in part because of fear that impartiality will be misinterpreted here as sympathy for Perón despite fact that Perón probably stands to lose more than democratic opposition from policy. I believe this is matter of drafting announcement or of on-the-record comments. For example, if Embassy announcement requested reports on any pressure to make contributions, I believe everyone would understand our position.

As best alternative would suggest letter to Chamber of Commerce which might be circulated among American commercial firms but must

⁷⁰ Not printed.

emphasize to Department that even this procedure is open in some degree to all of objections implied above. Please instruct.

CABOT

835.00/12-445 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 4, 1945—7 p. m.

[Received December 5—7:01 p. m.]

3033. Department doubtless realizes that with elections due on February 24 earliest possible publication of material extracted from German archives regarding Argentine Government is imperative. It would be grossly partial to the pro-Axis forces in this country to conceal from Argentine public matters of vital importance to latter in choosing new government. Any publication after January 1 is certain to be pounced on by Perón clique as clumsy effort to influence election and consequently as further alleged intervention in Argentine internal affairs. Recognizing that strong arguments exist for publication all material in a single paper, Dept. might nevertheless wish to publish material piecemeal. Dept. will appreciate need of establishing conviction that documents are authentic.

CABOT

835.00/12-745 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 8, 1945—1 p. m.

1746. Urtel 3062 Dec 7.⁷² Full details and documentary proof (if discreetly obtainable) of plans developed in Police Dept for systemized anti-Semitic campaign of violence would be extremely useful in preparation of our case here. Please telegraph whether these data are likely to become available with reasonable promptness.

BYRNES

⁷² Not printed.

EFFORTS BY THE UNITED STATES TO OBTAIN THE COOPERATION
OF THE ARGENTINE GOVERNMENT IN COMBATTING AXIS
ACTIVITIES ⁷³

740.35112A/1-1145

The Chargé in Argentina (Reed) to the Secretary of State

No. 17035

BUENOS AIRES, January 11, 1945.

[Received January 23.]

SIR: I have the honor to forward to the Department two sets of photostatic copies of contracts ⁷⁴ which may be of interest in the consideration of the continued utilization of prominent German firms by the Argentine Government in its rearmament program.

Both of these negotiations are notable as representative not only of affirmative assistance and financial aid given by the Government to a key German firm, Siemens-Bauunion, Cía. Platense de Construcciones, S.A., but also of the virtual official agency status conferred upon that company by the Government. By virtue of the legal dispositions involved in the letting of Government contracts under "Regimen Planilla D", the main contractor possesses the right to offer sub-contracts in a private licitation to any three firms it cares to designate. The Government may also nominate three additional bidders.

Both of these sub-contracts were given to the firm, Vago y Cía., Darwin 525, Buenos Aires. Sr. Julio Vago, owner and manager of this firm has been interviewed by an officer of the Embassy. He has stated that these are the only two instances in which his firm has worked with Siemens-Bauunion or any other firm included in the Proclaimed List. Moreover, Vago stated that shortly before receiving the first of these invitations, he had been informed by an army officer that if his firm refused any work offered to it in behalf of the Ministry of War, the Dirección General de Ingenieros, which the officer claimed to be representing, would see to it that his firm should not receive any Government work whatsoever. Several days later, the Siemens invitation appeared. The Embassy is, of course, not inclined to place any considerable credence in the coincidences adduced by Sr. Vago, although it is possible that some such statement was made at some time or other. The Embassy believes that Vago y Cía. bears watching, but, unless the Department is of a contrary opinion, does not propose to initiate Proclaimed List action at this time.

⁷³ Continued from *Foreign Relations*, 1944, vol. VII, pp. 228-252.

⁷⁴ Not printed.

The Embassy feels that these two transactions may have more than ordinary interest and would point out particularly the following:

1. The dates involved, from May 4, 1943, to March 15, 1944, show a continuing utilization of the Siemens firm by the various cliques which held public office in Argentina during this period.

2. The procedural details reveal considerably more than the simple granting of a Government contract to an enemy firm. The Government conferred upon Siemens additionally:

- a) The right to hold private licitation for sub-contracts.
- b) The right to nominate the bidders.
- c) The right to disburse payments of public funds.
- d) The right to inspect for the Government the quality of the work.

3. The existence in both contracts of Article 8 which gives to a notoriously enemy firm the power to compel the employment only of workers acceptable to it on projects of the Argentine Nation is an amazing and dangerous illustration of disregard for the realities of German penetration.

The Department may wish to consider the present despatch as an addition to Section II (Domestic Transactions) of the report recently completed by Messrs. King and Skelton (WT)⁷⁵ and transmitted to the Department by pouch on Saturday, January 6, 1945.

Respectfully yours, For the Chargé d'Affaires ad interim:

DAVID C. BERGER
First Secretary of Embassy

740.35112 RP/1-1345

The Chargé in Argentina (Reed) to the Secretary of State

No. 17053

BUENOS AIRES, January 13, 1945.

[Received January 23.]

SIR: With reference to the Embassy's Despatch No. 16999 of January 5, 1945,⁷⁶ I have the honor to transmit a memorandum of a conversation⁷⁶ held by Embassy officers with Luis Fiore, Chairman of the Argentine Government Committee for the Control of Axis Firms.

It is significant to note that in the attached memorandum that Mr. Fiore for the first time has implied that the members of his Committee and the Ministry of Industry and Commerce are not completely in

⁷⁵ The report by Nat B. King and Byron G. Skelton (World Trade Intelligence Division) entitled "The failure of Argentina to observe her commitments under resolution V of the Rio Conference," not printed.

⁷⁶ Not printed.

accord with his intervention program. It is also highly significant that in the last four or five conversations Mr. Fiore has had with Embassy officers over a period of one month he has not again referred to any question of expropriation, vesting or liquidation of Axis firms. He seems to feel that his program of appointing Government Delegate Managers in the intervened firms is tantamount to a sufficient control of Axis firms so as to constitute a compliance with Resolution V of the Rio Convention.⁷⁷

As stated heretofore in the despatches transmitting memoranda of these conversations, the Government Delegate Managers to the intervened firms require that all business transactions with other organizations must be acquiesced in and authorized by these Delegate Managers. Although there is joint government management of some firms these firms still continue their usual business activities. It is therefore obvious that the few Axis firms already intervened in Argentina are continuing their normal business transactions.

Respectfully yours,

For the Chargé d'Affaires ad interim:

DAVID C. BERGER

First Secretary of Embassy

862.503135/1-1545 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, January 15, 1945—4 p. m.

[Received 5:21 p. m.]

73. Secretariat Industry and Commerce on January 12 issued a resolution which further implements decree and resolutions controlling Axis firms. Resolution embodies following principal points applicable to intervened firms:

1. Dividends limited to 10 percent.
2. Balance of profit must be applied to company's debts or business.
3. Bank accounts must be deposited in blocked accounts in Central Bank.
4. Dividends must be paid in blocked accounts in Central Bank.
5. Payments by intervened firms to other intervened firms or Axis nationals must be paid into blocked accounts in Central Bank.
6. Business programs must be approved.
7. All transactions and payments exceeding 1 year's period require approval.

⁷⁷ Resolution V was concerned with the severance of commercial and financial ties between the American Republics and Axis Nations. For text, see Pan American Union, Congress and Conference Series No. 36: Report on the Third Meeting of the Ministers of Foreign Affairs of the American Republics, Rio de Janeiro, January 15-28, 1942 (Washington, 1942), p. 38. For documentation on this Conference, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

8. No one may be a director of intervened firm unless he owns at least 10 percent of capital or has been director for more than 5 years.

9. Intervened manufacturing establishments cannot be liquidated or dissolved.

10. Commercial firms other than factories shall be liquidated or expropriated according to the discretionary determination of intervention committee.

11. Salaries of directors and agents may not exceed 1,500 pesos monthly. All other salaries and bonuses must be approved.

REED

740.35112Δ/1-2245

The Chargé in Argentina (Reed) to the Secretary of State

No. 17141

BUENOS AIRES, January 22, 1945.

[Received January 30.]

SIR: I have the honor to report that, on January 13, 1945, the Axis newspapers *Cabildo* (PL)⁷⁸ and *El Federal* (PL) appeared on Swedish newsprint and that, during the week ending January 20th, these papers, as well as *La Fronda* (PL), were printed partially on such imported stock. *Die Zeitung*, successor to *Deutsche La Plata Zeitung* (PL), also has occasionally appeared on Swedish stock since its inauguration on December 17, 1944.

The Embassy, on January 16, 1945, summoned importers of Swedish newsprint to a conference, and told them that it was forced to take an extremely serious view of the situation. The importers were informed that, unless the leakage of imported stock could be stopped at once, stricter controls over the importation of newsprint might have to be placed in effect.

On December 17, 1944, the matter was discussed between an officer of this Embassy and Count Borgenstierna, Counsellor of the Swedish Legation. Borgenstierna, who has been most cooperative in the past, was very much perturbed and said that, on his own responsibility he would demand an explanation from the Argentine Minister of Interior.⁷⁹ Borgenstierna emphasized that he had full powers from his Government to deal with any violation of the promise made to him some months ago by the Argentine Minister of the Interior in the sense that no Swedish newsprint would be supplied by Government agencies to Proclaimed List newspapers. (Reference Embassy's despatch No. 15695, August 12, 1944 and Embassy's telegram No. 2165, August 19, 4 p. m.⁸⁰)

⁷⁸ Proclaimed List.

⁷⁹ Rear Adm. Alberto Teissaire.

⁸⁰ Neither printed.

Borgenstierna has seen the Minister of Interior and has received assurances that an immediate investigation will be made and that the necessary steps will be taken to prevent any recurrence of the present leakage. Borgenstierna's representations would appear to have been immediately effective, as all proscribed newspapers appeared on nationally manufactured stock on January 20th and January 21st.

The Embassy has reported the closure of *Cabildo* in its cable No. 106, January 18, 5 p. m.,⁸¹ and, from a reliable source close to the Ministry of Interior, a report has been received to the effect that, as a result of Borgenstierna's strong protest, Argentine authorities have refused to supply *Cabildo* and *El Federal* with either national or imported newsprint.

The Embassy will continue to watch the situation, and will report any further developments to the Department.

Respectfully yours,

For the Chargé d'Affaires ad interim:

DAVID C. BERGER

First Secretary of Embassy

800.20235/1-2645

The Chargé in Argentina (Reed) to the Secretary of State

[Extracts]

No. 17175

BUENOS AIRES, January 26, 1945.

[Received February 8.]

SIR: I have the honor to refer to the Embassy's despatch no. 15331 of July 8, 1944,⁸¹ transmitting a tabulation of arrests and releases of Axis agents as known on that date, and to subsequent despatches announcing new arrests, notably no. 15842 of August 26⁸¹ reporting the round-up of the so-called Utzinger ring. There is enclosed herewith a new list⁸¹ compiled by the Office of the Legal Attaché, representing what is in the opinion of the Embassy the most authentic tabulation on the subject to date. . . .

.

Of the 122 suspects arrested (including Herbert Jurmann, who committed suicide), 62 are listed as still in jail. Among these 62 are practically all those whom the Embassy classifies as "bona fide agents". It should be borne in mind, however, that not a few of the more influential Germans have succeeded, under real or feigned pretexts, in

¹ Not printed.

obtaining internment in the German Hospital instead of in prison. . . .

Of the 11 Japanese arrested at one time or another, all have been released with the exception of two occidental accomplices, Elias Jofre and Carlos Santa Cruz Poblete. This fact, mentioned in past Embassy despatches, was confirmed recently in the Japanese press, which stated that all the Japanese were free and that their imprisonment had ranged in various cases from 10 to 100 days.

Respectfully yours,

EDWARD L. REED

740.35112A/2-245

The Secretary of State to the Chargé in Argentina (Reed)

No. 6464

WASHINGTON, February 2, 1945.

The Secretary of State refers to the circular instruction of April 27, 1944⁸³ and previous circular instructions concerning the Confidential List of Unsatisfactory Consignees.⁸⁴

The Confidential List was originally conceived as a means of preventing goods from reaching the hands of Proclaimed List nationals through cloaks. Its paramount function has been, and is, to supplement the effect of Proclaimed listing and to make that list effective by preventing the indirect receipt of American goods by listed persons and firms.

It has been thought that the persons most likely to serve as cloaks for Proclaimed List nationals were those who occupied some position in the firm, such as partners, directors, managers and employees. As a result the Confidential List has, in a large measure, come to consist of potential cloaks, that is to say, persons occupying positions of importance and responsibility in Proclaimed listed firms; and, to a much lesser extent, minor and unimportant employees. Furthermore, the Confidential List for many countries has not been constantly revised by additions, deletions and amendments, as has been the case with respect to the Proclaimed List, with the result that many of the inclusions are now stale and serve no useful purpose. Largely as a result of the considerations mentioned, the Confidential List has grown steadily in size until it now contains a total of 10,088 names, 6443 of which are in the Western Hemisphere section of the list. The administrative burden on the Department in compiling so large a list and distributing it to the interested agencies and missions is apparent.

⁸³ *Foreign Relations*, 1944, vol. II, p. 163.

⁸⁴ This list included persons and firms believed to be cloaks for persons or firms on the Proclaimed List.

Furthermore, the proportion of license applications which are denied by the Foreign Economic Administration because of the inclusion of the consignee in the Confidential List is very small. This would suggest that the great majority of names now in the Confidential List no longer attempt to import United States merchandise in their names. It suggests, too, that responsible officials of Proclaimed listed firms seldom use their names for cloaking purposes; and that they usually select as a cloak some minor employee or commercially unimportant third person who would not be seriously affected if he should come to be included in the Proclaimed List as a result of his actions. The difficulty of extending the present Confidential List to include all those who are potential cloaks of the kind described is obvious.

Finally, the Department was recently informed that no more additions would be made by the British to their Black List, a list which, as regards the Western Hemisphere, is estimated to be approximately one-seventh the size of the Confidential List. The Department is now discussing with the British the possibility of continuing an active Black List and of coordinating the Confidential and Black Lists in much the same way as the Proclaimed and Statutory Lists are now coordinated. Obviously it will be impossible to bring about such a coordination if the Confidential List is not reduced; and even if an agreement to bring the two lists together cannot be made, it will be desirable to bring the two lists as near into balance as possible.

Notwithstanding the difficulties above-mentioned, it is believed that the Confidential List continues to serve as a desirable, if not a necessary, adjunct to the Proclaimed List, not only because of the number of export license applications which are rejected because of it, but also because it poses a continuing threat, known to most Latin American merchants, that they will be unable to obtain American goods if they render assistance to the enemy even though they may not be included in the Proclaimed List.

It has been decided therefore to preserve the advantages of continuing the Confidential List but to reduce its size. It is believed that, with the cooperation of the missions, its effectiveness can be increased rather than diminished by the reduction.

The Department has therefore undertaken to revise the Confidential List for the Western Hemisphere in accordance with the criteria hereafter explained. A list of the names which appear to qualify for retention in the list for Argentina under these criteria is enclosed.⁸⁵ . . .

The Embassy is requested to review the names and to report whether the attached list should be modified in any manner. If possible your report should reach the Department not later than March 1, since that

⁸⁵ Not printed.

is the date on which work on the revision will be commenced in the Department.

The criteria used in revising the list and which should be followed in adding names to the Confidential List in the future are the following:

1. *Actual Cloaks.* Names retained because of their cloaking activities are identified by the number 1 appearing opposite their names in the attached list. In the future the names of cloaks should be recommended only where there is satisfactory evidence of an actual cloaking operation involving goods from the United Nations, or where there is reasonable cause to believe that such a cloaking transaction has taken place or is about to take place. This of course eliminates the inclusion of names on the precautionary ground that a person or firm, because of relationship to a Proclaimed List national, is a potential cloak.

Some cloaks will, of course, continue to qualify for addition in the Proclaimed List; and some may continue to be handled by undertakings.

2. *Special Blocked Nationals.* Names which are recommended for inclusion in the Schedule of Special Blocked Nationals will continue to be automatically included in the Confidential List solely in order to prevent administrative difficulties which would otherwise arise. Names in the attached list included in the Confidential List solely because of their blocking by Treasury are identified by the number 2.

3. *Reexportation of American goods to Argentina.* In the Western Hemisphere it is believed necessary to support this Government's present policy towards Argentina by continuing to list those persons who, in violation of that policy and of the export controls of the Foreign Economic Administration, reexport goods of United States origin to Argentina. It does not apply, however, to the exportation of indigenous goods to Argentina.

Since in the nature of the case the reexportation to Argentina occurs in a Latin American country other than Argentina the Confidential List for Argentina will contain only an occasional name in this category. It is only when Argentine concerns are actively involved in reexportation from other American Republics to Argentina that names in this category will appear in the Confidential List for Argentina. The name of Juan A. Bracamonte, who is identified by the number 3 in the attached list, is a case in point.

In conclusion it may be said that cases included in the Confidential List because the evidence was not quite strong enough to warrant inclusion in the Proclaimed List, cases involving an exploitation of commodity shortages by exacting exorbitant prices, and other categories previously included in the Confidential List have now been, and should continue to be, excluded therefrom. Only in this way can the original purpose of the list be preserved and its continued effective existence as a complement to the Proclaimed List be assured.

740.35112A/2-1345

The Secretary of State to the Chargé in Argentina (Reed)

No. 6490

WASHINGTON, February 13, 1945.

The Secretary of State refers to instruction no. 6260 of November 16, 1944,⁸⁶ enclosing a memorandum concerning the policy with regard to deletion from the Proclaimed List of banks and other business enterprises in this Hemisphere which are controlled from Italy and stating that the memorandum was being forwarded to the Ministry of Economic Warfare for its views.

The Ministry of Economic Warfare has now informed the Department that the British Government has not yet agreed upon a general policy of deletion of Italian controlled concerns but that it has been agreed that deletion can take place on a case by case basis where there is a positive advantage to the United Nations, where satisfactory assurances have been received that effective control is exercised in Allied-occupied Italy, and where the record of the concern in the post-armistice period has been good. As an example in this regard the Banca Nazionale del Lavoro which was recently deleted from the Proclaimed List for Spain was cited. There is enclosed for the Embassy's information a copy of the MEW⁸⁷ memorandum of October 13, 1944,⁸⁶ concerning this Bank. MEW added that deletion would not alter the enemy status of such concerns under the Trading With The Enemy Act nor would it be followed by the release of their assets held by the British Alien Property Custodian. New transactions with Great Britain could not take place unless a general license had first been obtained. It was felt that this should be made clear to the enterprises by the Missions concerned. MEW also stated that it felt there would be no harm in requiring an undertaking⁸⁸ from deleted concerns providing for effective control of the assets. It concluded that very few cases have so far arisen which met these requirements.

The Department is therefore preparing to proceed with consideration of deletion of enterprises owned and controlled from Italy on a case by case basis, following in general the criteria outlined in the memorandum enclosed with instruction no. 6260.

MEW also raised a question with respect to implementation of armistice provisions concerning control of Italian assets abroad, exchange controls and trading with the enemy legislation. It is possible that in any case of an Italian controlled enterprise which is

⁸⁶ Not printed.

⁸⁷ Ministry of Economic Warfare.

⁸⁸ A formal commitment on the part of a business firm to have no dealings with an individual or company on the Proclaimed List.

considered for deletion implementation of the armistice provisions may be a consideration. The Department is awaiting information concerning the Italian Government's action in this regard from the Allied Commission for Italy.

An Italian technical mission on financial and economic matters⁸⁹ composed of the following members is presently in Washington: Mr. Quintieri, former Minister of Finance; Mr. Mattioli, Vice President of the Banca Commerciale Italiana, and Mr. Cuccia, who is also connected with the Bank; and Messrs. Ortona and Morelli. They have requested information concerning the conditions which enterprises owned and controlled from Italy must fulfil in order to qualify for deletion from the Proclaimed List. In an attempt to illustrate the questions which would be involved in such deletion members of the Department agreed to discuss a sample case and the status of the South American branches of the Banco Francés e Italiano which was selected as the example was discussed with Messrs. Mattioli and Cuccia. Reports of these discussions are enclosed.⁹⁰

The foregoing information has been furnished the Embassy at Rome and the Department assumes that the information, which Mr. Mattioli is to supply, referred to in the last paragraph of the attached memorandum of conversation,⁹⁰ will be submitted by him to the Embassy at Rome. The Embassy at Rome has been requested to submit any information which is received to the Department with comments and recommendations, and to send a copy of the report to the Embassy at Buenos Aires. After the report has been reviewed by the Department and the Interdepartmental Proclaimed List Committee, the Department will communicate with the Embassy concerning the conditions to be fulfilled by the branches of the bank in South America.

Recently the French raised the question of the deletion of the Banco Francés e Italiano from the Statutory List. The British authorities in London drafted an *Aide-Mémoire* which was given to the French. A copy of this *Aide-Mémoire* is attached⁹⁰ for the information of the Embassy.

The Italian Government in a memorandum of August 22, 1944, to the Allied Commission requested reinvestigation of the following Argentine cases in addition of [*to?*] Banco Francés e Italiano: Banco di Napoli, Cía. Aseguradora Argentina, Fiat Argentina, S.A., Fratelli Branca S. de R. L., and Giornale d'Italia. The Embassy at Rome is being informed that the case of Giornale d'Italia is presently receiving the consideration of the British and American Governments in Buenos Aires, Washington and London. The Embassy at Rome is also being informed that if the Italian Government wishes to

⁸⁹ For information concerning this mission, see. vol. iv, pp. 1219 ff.

⁹⁰ None printed.

submit any comments indicating that the home offices of the other concerns are in friendly hands and under effective control by the Italian Government or, if the home offices are in enemy-occupied territory, that persons fully empowered to issue instructions to the branch offices are cooperating in this regard, the Department will be prepared to submit such information to the Interdepartmental Proclaimed List Committee for consideration and, if the case warrants it, to correspond with the Embassy at Buenos Aires concerning the conditions to be fulfilled by the Argentine branch.

The foregoing should be considered as a reply to Embassy's despatches no. 16168, 16310 and 16477 of September 23, October 7 and 27, 1944, respectively.⁹¹

835.5151/2-2045 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, February 20, 1945—9 p. m.

[Received February 20—8:23 p. m.]

349. Executive decree published this afternoon provides for the embargoing or blocking of all payment orders in Argentina's Reichsmark "A" account which account has been used in the past for the payment for imports from Germany. Stated purpose of decree is to protect Argentina's creditor account maintained by the Central Bank in Deutsche Verrechnungskasse (repeat Verrechnungskasse) de Berlin; to pay damages due Argentina for the sinking of Argentine ships *Uruguay* and *Rio Third* and damage caused to tanker *Victoria*; and to pay the cost of maintaining crew of the *Graf Spee*.⁹²

REED

740.35112 RP/2-2445 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, February 24, 1945—2 p. m.

[Received February 24—12:25 p. m.]

373. Fiore has submitted to Embassy list of 44 German firms intervened to date. This figure comprises 19 principal companies and 25 subsidiaries. List being forwarded by pouch.⁹³

He also advises that Perón⁹⁴ is exercising pressure on him to go easy on the intervention of certain German firms because of existing

⁹¹ None printed.

⁹² For documentation on the *Graf Spee* incident, see *Foreign Relations*, 1939, vol. v, pp. 85 ff.

⁹³ Despatch 17,373, February 24, not printed.

⁹⁴ Juan D. Perón, Vice President and Minister of War.

army contracts with them; Fiore claims he will not yield to this pressure.

REED

835.00/2-2745

*Memorandum on the Argentine Problem*⁹⁵

[WASHINGTON, February 1945.]

[Extracts]

Does the government of General Farrell^{95a} merit the confidence of the American republics which are collaborating in the war effort?

An answer to this question requires, in the first instance, an analysis of the international problem with which the American republics are confronted as the result of Argentina's policy. The essence of this problem is Axis power in Argentina. The analysis therefore evaluates the degree and scope of that power as it developed and spread prior to Argentina's break in relations with Germany and Japan. Against the background of this analysis, the record of the Farrell government is examined to determine whether that government has taken the action necessary to resolve the problem in the common interest of the American republics.

It is the conclusion of the study that the present government of Argentina does not merit the confidence of the American republics which are collaborating in the war effort.

The irresistible effect of the evidence is doubt and mistrust regarding the international objectives and policies of the Farrell government. It is not denied that in recent months there have been indications of a growing willingness to cooperate. However, until sustained and sincere conduct over a period of time dispels real doubt and mistrust, until such conduct inspires a spirit of genuine confidence throughout the Americas, there can and should be no change in the policy toward the government of General Farrell.

Although the study places major emphasis upon the extent of Nazi power exercised in Argentina and upon the failure of the Farrell gov-

⁹⁵ This memorandum consists of an over-all statement on the Argentine situation prepared for use of the United States Delegation to the Mexico City Conference held from February 21-March 8, 1945. To the manuscript of this "Statement of the Issue" was appended six exhibits. Each exhibit contained a memorandum, and, in some instances, appendices; the first three memoranda dealt with Axis political, economic, and psychological warfare in Argentina. The remaining three concerned Argentina's adherence to her agreements with the other American Republics; German plans for post-war perpetuation of power; and the basic nature of the Argentine Government and her international projections within the Western Hemisphere.

^{95a} Gen. Edelmiro J. Farrell, President of Argentina.

ernment to adopt and enforce the drastic measures essential to the control and destruction of that power, careful consideration is also given to the character of the regime independently of the problem of direct Axis activity. This treatment is responsive to the view that it is the combination of undiminished widespread Axis influence and a totalitarian regime closely patterned on Fascist lines which has aggravated the problem with which the American republics are concerned.

I

ELEMENTS OF THE PROBLEM

The character of the total Axis attack on this Hemisphere—political, economic, psychological, and military—is too well known to require detailed restatement. The challenge of this total attack was met by almost all of the American republics acting together to defend their common heritage of liberty by means of the comprehensive defense program unanimously adopted at the Third Meeting of Ministers of Foreign Affairs.

At the time when her sister republics were vigorously proceeding against Axis influence wherever that influence was found, Argentina's "neutrality" policy and her conception of the agreements of Rio de Janeiro enabled the strongest center of Axis power in this Hemisphere to consolidate and strengthen its position.

The present international situation of Argentina with respect to other American republics is the direct consequence of the position which successive governments of that country have taken toward those inter-American agreements which constitute the basis for the defense of the continent.

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III

POSITION OF GOVERNMENT OF UNITED STATES ON CERTAIN FUNDAMENTAL ASPECTS OF ARGENTINE PROBLEM

(1) *Proposal for Stipulation of Conditions.*

It has been suggested from time to time that the American Republics should stipulate conditions or terms, compliance with which would lead to recognition of the Farrell government. It has been the consistently maintained position of the Government of the United States that the Farrell regime is, and always has been, well aware of the actions that would be necessary to comply with Argentina's inter-American commitments and to align it in good faith with the other nations of America. The Farrell government is also aware that this is a matter of sustained conduct and not mere promises, of substance

and not of form. We have repeatedly maintained that a formula is unnecessary where the desire to collaborate is sincere; where there is no such desire, a formula becomes an invitation to go through a mere formality.

(2) *Refusal to Establish Normal Relations and the Doctrine of Non-Intervention.*

The view has occasionally been advanced that the refusal of the overwhelming majority of the American republics to maintain relations with the Farrell government constitutes intervention in the affairs of the Argentine nation. This contention overlooks completely the fact that the exclusive basis for the policy of the American republics is their concern with the international conduct of the Farrell government. The collective action of the American family of nations has been responsive to the needs of the common defense of the Americas at a crucial moment of their history. Neither this Government nor any other American republic has suggested that this collective emergency action should be employed in time of peace to induce domestic or internal action beyond the competence of the family of nations.

(3) *Argentine Sovereignty and Compliance with Inter-American Agreements.*

Time and again responsible officials of the Farrell government have taken the position that any suggestion, from any source, that the government should implement the break of relations in accordance with inter-American commitments must be resisted as an attempt at external pressure and therefore derogatory to the national prestige and sovereignty. These officials have maintained that if the Farrell government were to fulfill the obligations contracted at the Meetings of Ministers of Foreign Affairs, there would be grounds for the belief that such action was taken under the pressure of foreign powers. The weakness of this contention becomes manifest in face of the fact that the obligations in question were freely entered into by all the American republics without real or implied loss of sovereignty and have been carried out by all except Argentina. It is our belief that unless we now demonstrate a capacity to develop a tradition of respect for such obligations among civilized nations, there can be little hope for a system of international security, theoretically created to maintain principles for which our peoples are today sacrificing to the limit of their resources.

(4) *Hemisphere Unity.*

It has been the constant object of this Government, as it has been of all the American governments, to obtain the wholehearted participation of Argentina in the common efforts and councils of the nations of this Hemisphere. But principles for which the free peoples of the

world are contributing the full measure of their human and material resources cannot be compromised for the sake of appearance of unity. If Hemisphere unity is to be more than an empty form without real substance, it must be based on action which demonstrates a common purpose, common ideals and a practical spirit of cooperation among both the governments and the peoples of America. Such unity can be achieved only through the conscientious support and active defense of the principles that underlie Hemisphere solidarity as they have been enunciated and put into practice by the American republics which have cooperated in the war effort. There would be grave danger in the creation of a façade of unity behind which hostile forces can work to undermine and destroy everything for which we have been fighting.

835.01/4-245 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 2, 1945—9 p. m.

[Received April 2—7 p. m.]

612. Admitting that Fiore's views reported in Embtel 611, April 2, 8 p. m.,⁹⁶ may be influenced to some degree by personal feelings, his skepticism regarding sincerity of Government's intentions, and good faith once recognition has been accorded is, I believe, shared by the vast majority of democratically minded Argentines.

His suggestion that Padilla⁹⁷ or some other spokesman make an admonitory declaration may not be feasible and we cannot be sure that it would have desired salutary effect if made, but I am firmly convinced that a deferment of recognition publicly explained on grounds that other American countries are awaiting concrete evidence of implementation of war declaration and adherence to Act of Mexico would do more good than harm.

REED

740.35112 RP/4-445

The Chargé in Argentina (Reed) to the Secretary of State

No. 17699

BUENOS AIRES, April 4, 1945.

[Received April 12.]

SIR: I have the honor to transmit a copy in translation of a Decree⁹⁶ of the Argentine Government providing for the control, liquidation, vesting and forced sale of Axis firms. There is also transmitted a list of 105 Axis firms subject to the decree under reference.⁹⁶

⁹⁶ Not printed.

⁹⁷ Ezequiel Padilla, Mexican Minister for Foreign Affairs.

It is the considered judgment of the Embassy that the decree is well drafted and complies with the resolutions of the Mexico, the Rio de Janeiro, and the Washington conferences, in regard to the severance of commercial and financial relations with the Axis. The Embassy will watch closely the manner of implementation of this decree and report thereon.

It should be pointed out that the decree transmitted is not the draft prepared by Luis Fiore referred to in the Embassy's despatch No. 17661 of March 28, 1945 and in its telegram No. 575 of March 27, 9:00 p. m.⁹⁹ The present decree embodies the principal points contained in Mr. Fiore's draft and was prepared by the Foreign Office after consultation with General Julio C. Checchi, Secretary of Industry and Commerce, who had already approved the Fiore draft. The decree was signed on March 31, 1945 and as yet is unnumbered. It does not contain the provisions of the preamble of the proposed draft which would have provided for the rescision of the Argentine reservation to Resolution V of the Rio de Janeiro Conference.¹ The decree provides that the control of the German banks, blocking controls and insurance companies shall be under the supervision of the Ministry of Finance and the Superintendent of Insurance respectively. Mr. Fiore's committee will be in charge of the control, liquidation, vesting and forced sale of all Axis commercial and industrial organizations as well as the assets of owners and administrative officers thereof. The Embassy is convinced of Fiore's sincerity in his efforts to implement fully this decree, but as he is subject to the political control of the Secretariat of Industry and Commerce only time will tell how efficaciously the decree will be implemented.

Mr. Fiore has assured Embassy officers that some of the provisions contained in his proposed draft, which are not incorporated in the decree, will be inserted in regulations to be drafted for the implementation of the decree. A total of 105 Axis firms, the names of which appear in enclosure No. 3² to this despatch, have been subjected to the provisions of this decree. Of these firms 44 to date have been officially intervened, and according to Central Bank Circular No. 401 all funds and deposits of these firms are blocked. The balances of the 105 firms are also blocked in a limited manner so that they may not issue order checks for more than 5,000 pesos or bearer checks for more than 500 pesos without specific authorization, and even these limited withdrawals must be reported weekly to the Central Bank.

The decree provides that an Administrative Council acting under the Secretariat of Industry and Commerce, in its discretion may

⁹⁹ Neither printed.

¹ For text of the Argentine reservation, see Department of State *Bulletin*, February 7, 1942, p. 140.

² Not printed.

decide whether the Axis firms be subjected either to vesting and forced sale, liquidation or Government control. Safety deposit boxes of these firms are also blocked. According to Luis Fiore, in addition to the 105 Axis firms subject to the control of this decree, there will be included subsidiaries of these firms not specifically listed as yet. The Department will be advised of all further developments in the implementation of this decree.

Respectfully yours,

For the Chargé d'Affaires ad interim :

DAVID C. BERGER

First Secretary of Embassy

740.35112A/5-1145

*The Argentine Ministry of Foreign Affairs and Worship to the
American Embassy in Argentina*³

[Translation]

No. 250

The Ministry of Foreign Affairs and Worship has the honor to address the Embassy of the United States of America with reference to the situation of persons or entities included in the "black list".

In view of decrees No. 6.945 of March 27th last, whereby the state of war is declared against Germany and Japan, and No. 7.032 of the 31st of the same month, establishing the treatment to be applied to firms trading or maintaining relations with the enemy, the present régime of commercial firms interdicted by the Government of the United States of America should be reviewed and adjusted to the present situation.

The United States as well as Great Britain have included certain persons or entities in the said "black lists" because they "traded with the enemy" or for reasons of precaution. The Argentine Government obviously has no intention of permitting the existence of firms or persons engaging within its territory in operations which may directly or indirectly benefit Germany and Japan or their respective nationals, or which may be effected with them.

In the case of firms or persons trading or maintaining relations with the enemy, decree No. 7.032 is applicable whereby there is authorized the liquidation or the transformation of such firms into entities whose activities will not create difficulties for the Republic or for the members of the United Nations. Once such firms or persons have been removed, there would remain those who were placed in the "black lists" by the United States and Great Britain as a measure of precau-

³ Copy transmitted to the Department in despatch 17,872, May 11, from Buenos Aires; received May 21.

tion and whose situation should be reconsidered. Since "black lists" do not exist in the United States of America it seems logical that they should not exist in Argentina once the firms to which the provisions of Decree No. 7.032 are applied have disappeared.

In view of the foregoing, the conclusion is reached that the black list system is unnecessary since measures can be adopted by mutual agreement with the Governments of the United States of America and Great Britain which would permit the annulment of this system in the national territory, thereby fulfilling the purpose of the Argentine Government to coordinate its action with the policy of economic warfare of the United Nations. This is all the more necessary because in order that former German and Japanese firms which will hereafter function under the control of the Administrative Council may operate efficiently it is indispensable that they no longer figure in the said black list.

The Ministry of Foreign Affairs and Worship should appreciate it very much if the Embassy would indicate its point of view on this matter, and it expresses the deep interest of the Argentine Government in studying that point of view with the representatives of the United States of America as soon as possible in this Foreign Office in order to settle the matter satisfactorily.⁴

BUENOS AIRES, April 11, 1945.

740.35112 R.P./4-1745

*Memorandum by the Senior Economic Analyst in Argentina (Wallin)*⁵

BUENOS AIRES, April 16, 1945.

Mr. Fiore was today interviewed by the undersigned officer. He spoke on the following subjects:

1. He stated that the program of the Committee for the intervention of Axis firms had advanced more rapidly before rather than after Argentina's declaration of war against the Axis.⁶ He asserted that the higher authorities in the Government apparently have been more concerned with the declaration of war, the signing of the Act of Chapultepec,⁷ and obtaining recognition, than in taking active im-

⁴ In despatch 17,872, May 11, 1945, the First Secretary of Embassy, reporting on behalf of the Chargé, indicated that officers of the Embassy had informed Argentine officials that withdrawal of the Proclaimed List depended upon the elimination of all Axis interests (740.35112A/5-1145).

⁵ Addressed to the Chargé in Argentina (Reed) and the First Secretary of Embassy (Berger). Transmitted to the Department in despatch 17,768, April 17, from Buenos Aires; received April 25.

⁶ For documentation on interest of the United States in Argentina's entry into the war, see pp. 366 ff.

⁷ The name applied to the agreement of the American Republics contained in Resolution VIII of the Final Act of the Inter-American Conference on Problems of War and Peace, held at Mexico City, February 21-March 8, 1945.

mediate steps against Axis firms and individuals. The program has also been slowed up by the appointment as president of the Administrative Council ⁸ of Colonel Olano, who appears to be spending a lot of time learning about the work of the Council and in meeting with the Argentine lawyers, who maintain that it is illegal to intervene and control these Axis firms. He stated that some of these lawyers even had the gall to threaten action against the Argentine Government, on the basis that Argentina's treaty of 1857 with Prussia ⁹ specifically stated that, in case of war between the two countries, the properties and other assets of the individuals of these countries would be protected. Fiore also stated that the work of the Administrative Council had been delayed somewhat by the moving of the administration to a new location, which incidentally happens to be the German Club in Buenos Aires.

2. Fiore stated that he is receiving more cooperation than heretofore from the Argentine Central Bank, although the latter is not operating as rapidly and as effectively as it should. He reiterated that his Council is still pushing for the control of the German banks, which are now under the supervision of the Argentine Central Bank. He is resolute in his intention to gain control of the Axis banks and insurance companies.

3. When informed by the interviewing officer that the enemy firm, Wayss & Freytag, which already has been intervened by his committee, has just negotiated new contracts for construction work with the Public Works Department of the Argentine Government, Mr. Fiore stated that he was greatly surprised and shocked to hear this and that he would take immediate steps to present this grave irregularity to the highest authorities in the Argentine Government.

4. Fiore stated that IMPA ¹⁰ was nationalized by the Argentine Government in accordance with the Act of Chapultepec, which stated that all armament industry should be in the hands of the respective American governments.

5. The interviewing officer was confidentially advised by Mr. Fiore that he has drawn up a resolution to be presented next Wednesday to the Administrative Council requesting the immediate establishment of an executive board to be empowered with authority independent of other government agencies to deal with Axis firms and individuals. He plans to recommend that besides himself three other individuals, namely Luís Podesta Costa, Dr. Moyano, and his Committee's lawyer, Dr. Adrogué, be appointed to this board. He stated that he would

⁸ Administrative Council for the Intervention of Axis Firms.

⁹ Treaty of Friendship, Commerce and Navigation, September 19, 1857; for text, see *British and Foreign State Papers*, vol. XLVII, p. 1277.

¹⁰ Industria Metalúrgica y Plástica Argentina.

still retain the chairmanship of the Administrative Council for the control of Axis firms, but that he desires the creation of this executive board in order to have more power to act effectively and speedily. This resolution will be presented to the Argentine Government on Wednesday afternoon, April 18th.

6. Fiore openly expressed his discouragement at the way that his Committee has operated during the past 2 weeks. He stated that he has not received full cooperation from superior authorities in the Argentine Government and that he plans to see them very shortly to remind them of the commitments which they had agreed to fulfill in signing the Act of Chapultepec. He stated that there exists a certain reluctance for speedy action in compliance with the commitments undertaken by the Argentine Government. He reiterated that from the beginning he had been afraid that this would happen once Argentina was recognized by the other American republics.

7. He also stated that the decrees regarding the control of Axis firms have only been partially implemented, and that meanwhile he would recommend that the United States Government take no steps towards withdrawing the Proclaimed List in Argentina or slacking up in the control of the firms which appear on this list.

Mr. Fiore concluded by stating that he had received authority from the Argentine Government to deal officially with the Embassy, and he hopes that these conversations may continue as in the past on an informal level.

PAUL J. WALLIN

740.35112A/4-1945 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 19, 1945—6 p. m.

413. Reference recent conversation between McClintock and Rubin.¹¹

Reurtel 760, April 18.¹² The mere intervention of Axis spearhead firms is not regarded as a valid basis for withdrawing Proclaimed List for Argentina.

The actual accomplishment of the expropriation, forced sale or liquidation of these firms together with the implementation and execution of a satisfactory replacement program would furnish a basis for completely or virtually withdrawing the List.

STETTINIUS

¹¹ John McClintock, Special Assistant to Assistant Secretary of State Nelson Rockefeller, and Seymour J. Rubin, Assistant Chief, Division of Financial and Monetary Affairs.

¹² Not printed.

862.20235/4-2345 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 23, 1945—11 a. m.

[Received 1 p. m.]

791. ReEmbtel 786, April 21, 2 p. m.¹³ Police gave out long communiqué on espionage April 21, evening, including arrest of Becker.¹⁴ Aside from biographical sketch of Becker and substantiating details, text contains little not already covered by Embassy. Many names included in Montevideo despatch 5683 of April 10¹³ mentioned publicly for first time, notably Burckhardt, Chantrain, Seraphin, Schwaiger, Fernandez, Villa, Anfrini, Castro, Andrada. Reference made to Uruguayan roundup of Pfeffer, Sciuto, *et al*, and to Buenos Aires-Montevideo collaboration. Photographs published of confiscated transmitters, cipher machines, and microphotographic equipment. Regarding persons embarked for Germany in "small camouflaged ship" which brought Burckhardt, police state they were Heinz Lange, Philip Imhof, and Oswin (Werner) Seevers.

Communiqué states most agents had been identified for some time; police waited to get whole gang, majority now caught. As usual, communiqué is vague and not explicit as to who is under arrest.

REED

800.20235/5-1045

The Chargé in Argentina (Reed) to the Secretary of State

[Extracts]

No. 17869

BUENOS AIRES, May 10, 1945.

[Received May 21.]

SIR: . . .

Espionage Developments

The latest espionage roundup, a full account of which was transmitted to the Department with the Embassy's despatch no. 17801 of April 25,¹³ apparently gathered in practically all the loose ends which remained after the Utzinger group was corralled in August, 1944. The police communiqué of April 21, when combined with the highly interesting and informative memorandum of the Legal Attaché at Montevideo (Montevideo despatch no. 5683, of April 10¹³), provides a fairly comprehensive picture of the workings of the Becker organiza-

¹³ Not printed.¹⁴ Johannes Siegfried Becker, one of the leaders in the network of Axis espionage agents operating in the American Republics.

tion. Although the details have been adequately reported in the above two reports, certain supplementary comment is believed pertinent.

The sending to Argentina of two highly trained agents, Walter Burckhardt and Alphonse Chantrain, as late as June, 1944, shows the importance to Berlin of the River Plate district even after Germany's chief interest in Europe was self-preservation. Burckhardt was quite obviously sent because Becker had become almost valueless to the Nazi cause owing to police knowledge of his activities. Once Burckhardt was caught (with laudable promptness) and Utzinger's "Orga T" broken up, the remainder of Becker's organization was fatally handicapped. He had to fall back largely on the services of individuals who had previously been mere underlings, notably the nationalists (Uruguayan, Brazilian and Argentine) and a number of German-Argentines. The part played by the Spanish Falangist priest Alfredo Fernandez is also worthy of note. In gathering up the loose ends the Argentine police showed commendable patience in waiting until they had the whole story. Undoubtedly they did not get all the minor characters, but it appears that those still at large will have no means, and little desire, to continue their activity.

The work of Major Oscar C. Contal, head of Coordinación Federal, has demonstrated clearly that the Argentine police can be extremely capable when they have a mind to. His signal success only points up more strongly the fact that during 1942 and 1943 the existence of large-scale espionage in Argentina depended almost entirely on the complacency of the Argentine authorities. At the time of the recent late-April roundup it appeared that at last the Embassy was on the point of receiving real cooperation from Coordinación Federal. Major Contal had several interesting and fruitful talks with the Military and Legal Attachés and indicated that his mission had the blessing of higher-ups, including, presumably, Perón. Such optimism as the Embassy permitted itself was short-lived, however. Before the month was out further contact was evaded and it appeared that Contal's *carte blanche* had been countermanded. . . .

It is evident that even half-hearted cooperation between the police and the Embassy . . . can only be effected through a definite governmental understanding. In such an event, moreover, the Embassy would have to be constantly on guard against the sabotaging activities of individual Nazis and "Yanquiphobes" within the police and the army. Probably the most effective plan would be the formation of an international committee, in Argentina as elsewhere, subsequent to the San Francisco Conference.¹⁸

¹⁸ For documentation on the United Nations Conference on International Organization, held at San Francisco, April 25-June 26, 1945, see vol. I, pp. 1 ff.

As pointed out in the Embassy's despatch no. 17782 of April 21, 1945,¹⁷ it should not be forgotten that there are still nine persons in jail for "North American espionage". Notwithstanding Argentina's well-known touchiness on the subject of sovereignty, it is difficult to see what purpose is served by the continued detention of these unfortunates. Twelve other such agents were released on December 19, along with nine Germans.

That the Germans will reorganize is taken for granted. It does not appear, however, that espionage activity will be a major worry for the present, with Germany knocked out of the war. The underground will probably now concentrate its efforts on aiding Nazi refugees and Nazi capital to become established in this country, as well as to organizational planning for the future of Pan-Germanism. Owing to their more evanescent nature, such activities will be hard to detect unless the Argentine police can be impressed with the necessity for cooperation.

Nazis, Fascists and Falangists

In spite of being downcast at the Fatherland's defeat, the Germans in Argentina realize that they are now probably the most fortunate group of Teutons in the world. No matter what happens in Europe and in other parts the Germans of Argentina will continue to lead a comfortable existence, and even official intervention in German businesses and present supervision over their private affairs will never be more than superficial. Basically, the Germans in Argentina are "old settlers" who date from the days of the Kaiser, and for them Nazism has been no more than a passing phase. Most Germans in this country were not Nazis, strictly speaking, but their longing for Teutonic world conquest was no less fervent on that account. Like most Germans living abroad their acceptance of Nazi doctrine obeyed to an inner necessity to believe in some creed preaching Germanic superiority, together with the highly developed Teutonic herd-instinct.

There is little doubt that the recent measures taken by the Argentines will temporarily curb the more obvious German activities on behalf of the Fatherland. Nevertheless, the German schools continue to function throughout the Republic, especially in such Teutonic centers as the Province of Entre Ríos and the Territory of Misiones. Although the principal German Club in the Capital was intervened on April 11 and its possessions taken charge of by the State, most German community entities continue to function much as before. In Mendoza it has been reported from a reliable source that the German Club still remains open, and that the members have even gone so far as to take up a public collection for "German prisoners of war" in France. The true destination of these funds is open to conjecture.

¹⁷ Not printed.

In Mendoza, too, the classes of the German school are open as usual, including special night courses for stenographers and others. The ex-crew members of the *Graf Spee* interned near the town are reported enjoying practically the same liberties as before the declaration of war, in spite of the new decree regulating their internment.

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The Japanese

The principal event in the Japanese community during April was the internment of the Japanese diplomatic group of 62 persons, including officials, families and servants, at the luxurious Eden Hotel in the Córdoba hills. The internment was ordered very suddenly on the night of April 18, just after the Warren Mission had arrived in Buenos Aires, and the Japanese left rather dazedly the following day for La Falda, Córdoba, accompanied only by Foreign Office and Swiss Legation representatives. The Swiss have since reported that a very strict watch is being kept over the group to prevent communication with outsiders, but it has also been reported that the Japanese group is endeavoring to obtain agents to act as intermediaries for outside contact and that two Italians in La Falda were approached in this connection. The extremely short notice with which the Japanese were interned is believed to have prevented them from making prior arrangements with Japanese agents.

The Japanese community otherwise remained unmolested during the month excepting for the necessity of registering as enemy aliens, several being arrested for failing to do so. The rest carried on their normal business and social activities as usual, except for the ten intervened firms. . . .

Respectfully yours,

EDWARD L. REED

740.00112A EW/5-2545: Circular telegram

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

WASHINGTON, May 25, 1945—8 a. m.

Confidential List of Unsatisfactory Consignees will be eliminated on May 26. British are taking similar action with respect to Black List.

Principal function of Confidential List is to prevent cloaking for PL nationals. In future cloaking problem will be dealt with by inclusion in PL and, in appropriate cases, by acceptance of undertakings.

GREW

740.00112A EW/5-2945 : Telegram

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

BUENOS AIRES, May 29, 1945—10 p. m.

[Received 11:08 p. m.]

1091. ReDepcirtel May 25, 8 a. m. In view of conditions described first half of my telegram 1076 of May 26, 6 p. m.¹⁹ elimination of Confidential List as of May 26 is entirely premature.

Still more strongly do I feel that for us in Argentina to contemplate reductions in Proclaimed List and eventual elimination thereof one year from V-E Day is to ignore the facts of this situation, is utterly unsound, and will leave our enemies a powerful nucleus around which to build and which will severely plague us in the future. We must first get effective action from Argentine Govt. before abandoning present system.

Therefore I cannot too strongly urge that entire Proclaimed and Confidential Lists policy be continued in full vigor in Argentina until situation here is in hand and this Embassy so reports. I sincerely trust British may be induced to come along with us on this policy.

Please telegraph instructions.

BRADEN

740.00112A EW/5-2945 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, June 2, 1945—5 p. m.

627. Urtel 1091 May 29. For reasons explained in instruction which follows it is not desirable to delay abolition of Confidential List. This List has not been effective in recent months and it would appear that contd effective control over exports can be exercised through Certificates of Necessity procedure.

Urtel 1076 May 26.¹⁹ PL Committee desires cooperate fully in eradicating Nazi influence. Its recommendations attached to Depts instruction 6724, May 21¹⁹ propose that Argentine list remain substantially same for time being. Only deletion of minor offenders which should not exceed 10 per cent of List was contemplated for deletion forthcoming supplement. Hence Committee would not agree deletion 621 (*sic*) names referred to in your 1073, May 26.¹⁹

PL Committee has requested views of Brit on delaying deletion program in Argentina until entire List is reduced to hard core in about

¹⁹ Not printed.

4 months. This in effect proposes that reduction to hard core would be made in one supplement rather than in two bites as will be done in Europe and in other non-cooperative American Republics. Would you favor this procedure even though reductions would be made in other countries? Urdes 40, May 26²¹ has not been recd. However, publication date of forthcoming supplement has been postponed. You will be informed of Brit views and publication date of forthcoming supplement.

GREW

740.35112A/6-745 : Telegram

*The Assistant Secretary of State for American Republic Affairs
(Rockefeller) to the Acting Secretary of State*

SAN FRANCISCO, June 7, 1945.

[Received June 7—11:16 p. m.]

12. I suggest that the Department answer Buenos Aires telegram 1091 of May 29, 10 p. m., along the following lines:

(1) "The Department entirely agrees with and supports your views that elimination of the Confidential List and reductions in the Proclaimed List with respect to Argentina is entirely premature. The matter is being taken up with the appropriate United States agencies."

(2) "If these agencies agree, the Embassy in London will be instructed to make appropriate representations to the British authorities."

(3) "You may confidentially inform pertinent U.S. officials in Buenos Aires of above."

Should the Department adopt this view, instructions will, of course, have to be issued not only to the Embassy in London, but also to the pertinent United States agencies. I suggest that the telegram to London give a brief summary of the Proclaimed List situation in Argentina and recent developments connected therewith in order that the Embassy may have adequate background for making its recommendations.

740.35112 RP/6-2345 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, June 23, 1945—6 p. m.

753. Might not Argentines be spurred to positive and speedy action under Replacement Program if they realized that Allied Group Control Council may shortly exert jurisdiction over German external

²¹ Not printed.

assets in Argentina if title to them has not in accordance with Argentina's long standing commitments been effectively and permanently transferred to unobjectionable parties? Ambassador Pauley, Head of US Reparations Commission Delegation, has telegraphed from Moscow that German assets in Argentina have been discussed with heads of Brit and Soviet reparations delegations. Both of these indicated that Argentina might well be treated similarly to the European neutrals in this regard. In view of Argentina's failure to eliminate inimical interests in accordance with her commitments it would be difficult to distinguish her from the neutrals.

Do you consider that at this stage permanent and total extirpation of German spearheads in Argentina would be better accomplished by warning Argentines of foregoing possibility for purpose of activating Replacement Program or through bypassing local controls in favor of ACC? ²² One factor against latter is it would reach only concerns owned or controlled from Germany or by German nationals. This would not include all spearheads in Argentina, Staudt for example. Your comments desired.

Reptd to Moscow for Pauley and to Bogotá, Montevideo, Asunción, La Paz, and Caracas for thought as to the effect discreet use of ACC possibility might have on lagging Replacement Programs those countries.

GREW

740.35112 RP/6-2645: Telegram

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

BUENOS AIRES, June 26, 1945—9 p. m.

[Received 10:45 p. m.]

1348. Assistant Secretary Clayton's statement ²³ before Senate Subcommittee given wide coverage here together with texts Bayer ²⁴ letters and *N.Y. Times* editorial.²⁵ Statement was excellent and produced immediate and strong reaction; at request Minister of Foreign Relations ²⁶ I called on him this morning. Colonel Olano also present. They had prepared lengthy press release reciting what pretended to be performance in intervening Axis firms together with affirmations of rapid effective action henceforth and implying that Clayton declaration was false.

²² Allied Control Council.

²³ Made before the Subcommittee on War Mobilization of the Senate Committee on Military Affairs, June 25, 1945; for text, see Department of State *Bulletin*, July 1, 1945, p. 21.

²⁴ Letters of La Química Bayer, S.A., subsidiary of I.G. Farbenindustrie, intercepted in 1943 at Gibraltar.

²⁵ Of June 21, 1945.

²⁶ César Ameghino.

After intensive discussion of over an hour during which I insisted that practically nothing had been done it was agreed to cancel press release substituting therefor brief general statement (this being transmitted in clear). Olano was evidently greatly annoyed by my rebuttal of his excuses for inaction but Foreign Minister sided with me and instructed that my urgent request for action and close collaboration with Emb. including free interchange of information be pursued energetically, taking up case by case in order so rapidly as possible to bring all Axis business under complete control. Pursuant this objective first joint meeting between Olano group and appropriate members of Embassy staff was held this afternoon.

From this meeting it became apparent that as a result of my conversation with Perón reported in my tel. 1124, June 1, 7 p. m.²⁷ and my June 19 speech to Brit. Chamber of Commerce²⁸ Olano's office has been really working.

1. Thyssen Lametal and subsidiaries situation has been developed to point where with elimination of remaining Nazis it can be given license enabling it to trade until sale to responsible Argentine nationals can be completed.

2. Studies of approximately six other important firms will be far enough along within few days so that corporate charters will be removed and another 14 firms to follow this procedure more or less rapidly with a view to all 20 being ready to be offered for public sale in about 6 weeks.

3. Today Mandl²⁹ companies have been placed under control as "enemy firms" with view to eventual sale of IMPA³⁰ and liquidation of others. This clearly resulted from Clayton's statement.

4. For first time in this war Argentine authorities today gave Embassy representatives lists of enemy personnel (those dismissed from Thyssen Lametal) together with signed copy of an interventor's report (Thyssen). Also Olano in presence of Embassy officers instructed his staff to give full information and discuss replacement program frankly with them.

5. Authorities definitely agreed to dismiss from Thyssen and other firms in the future any and all Nazi sympathizers we may indicate in addition to those already dismissed.

This last point brings out fact that internment here of enemy aliens (including remainder of *Graf Spee* sailors) appears to have been extraordinarily lax. I therefore propose to press in on this and would appreciate telegraphic reply as to Dept.'s preferences for internment here or whether we should endeavor to get these internees to the U.S. or back to Germany or other native countries.

BRADEN

²⁷ Ante, p. 380.

²⁸ See Department of State *Bulletin*, August 5, 1945, p. 189.

²⁹ Fritz Mandl.

³⁰ Industria Metalúrgica y Plástica Argentina.

740.35112 RP/7-545 : Telegram

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

WASHINGTON, July 5, 1945—4 p. m.

814. The Department has under consideration the advisability of representations to the Argentine Government by the other American republics with respect to non-compliance under the Final Act of Mexico for the speedy and effective elimination of Axis spearhead firms. It is recognized that certain of the other American republics have not fully or effectively complied in the elimination of Axis firms, as particularly Colombia, Paraguay, and Uruguay have been delinquent in this regard. Nonetheless, joint action by the American republics in demanding that the Argentine Government comply immediately with its obligations under the terms of the resolutions of the Conference of Mexico and also of Rio might prove effective in the elimination of Axis interests in Argentina.³¹ Before proceeding further, the Department wishes a specific enumeration of our case against Argentina for non-compliance in this respect and no action will be taken until these have been received.

BYRNES

740.35112A/7-1145 : Telegram

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

BUENOS AIRES, July 11, 1945—9 p. m.

[Received 11:54 p. m.]

1503. Although, as explained in mytel 1477, July 9, 7 p. m.,³² representations presently re Axis firms replacement program in Argentina would not seem timely, Argentina has subscribed to other obligations and declarations of principle which have been and are being largely or wholly ignored. Joint pressure on following points for example is justified and might be productive: Rio Resolution XVII and attachment and Chapultepec Resolution VII dealing with subversive activities specifically recommended that surveillance be maintained and expanded. Argentina has not done so as evidenced by:

1. Directors and officers of Axis firms and associations have not been subjected to any control whatsoever except in some cases registration.

2. *Graf Spee* sailors, although supposedly prisoners of war, are given same liberties previously afforded them as internees while nearly 50 with Argentine wives have been exempted entirely from internment and are expected only to check in at stated intervals.

³¹ In his reply, telegram 1477, July 9, 7 p. m., Ambassador Braden advised against joint action (740.35112 RP/7-945).

³² Not printed.

3. Some 70 German merchant sailors and 3 captains are not even interned.

4. As Dept. will recall from my 1470, July 7, 5 p. m.,³³ only on July 6 Foreign Minister agreed pursuant my representations to initiate enemy alien internment program.

5. Argentine police have begun in very limited degree to exchange information relative suspicious persons and subversive activities but satisfactory performance thus far remains only a hope for future.

6. Re control over dissemination of enemy propaganda, 2 of the 3 Jap newspapers have been permitted to reopen in Spanish.

7. Japanese and German "social organizations" and schools still function as continuing centers of anti-democratic propaganda and nuclei of possible future totalitarian movements.

BRADEN

740.35112A/7-2045 : Airgram

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

BUENOS AIRES, July 22, 1945.

[Received July 28—4 p. m.]

A-351. In connection with the general policy regarding the Proclaimed List in Argentina the British Ambassador³⁴ informed me recently that he had received a cabled instruction from London requesting his opinion regarding the Proclaimed List policy to be followed in Argentina. He stated that he was replying to the effect that he thoroughly agreed with me that the British and ourselves should be very severe regarding hard core offenders and that certainly no arbitrary period of say one year from V-E Day should be considered for their deletion.

He added that he had been discussing this matter with the Economic Section of his Embassy and inquired whether I did not feel that it would be best to be lenient with the lesser offenders, thereby making friends of them. I replied that we had already been extraordinarily lenient with the lesser offenders and I felt that we would be more respected if we continued to be very severe. I added that I was not concerned by the importance or wealth of the offender but by the nature of the offense. The Ambassador finally stated that he saw my point and would submit both viewpoints to London.

BRADEN

³³ Not printed.

³⁴ Sir David Kelly.

740.35112 RP/7-3145

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

No. 455

BUENOS AIRES, July 31, 1945.

[Received August 8.]

SIR: I have the honor to report on the subject of the Argentine Government program for the nationalization of Axis firms. As was reported in despatch no. 17699 of April 4, 1945, Decree no. 7.032/45 of March 31, 1945 is the basic law providing for the nationalization of Axis firms in Argentina. Under the terms of this Decree the disposition of Axis banks and insurance companies is entrusted to the Ministry of Finance, whereas all other Axis firms are subject to the jurisdiction of an Administrative Board under the supervision of Colonel Manuel José Olano.

There is transmitted herewith as enclosure no. 1³⁵ a single copy of the official report by Colonel Olano's administrative committee of the status of his administration as of July 7, 1945, which was recently given to the Embassy by the Argentine authorities. It will be observed that 128 Axis firms, according to this report, are subject to investigation or intervention. Of these firms, only 39 have been subjected to governmental possession or control. This possession has been manifested by decrees revoking the corporate charters of these firms or by such decree and the possession of such firm by a governmental body which manages the affairs of such company. A list of the firms that have been subjected to revocation of their corporate charters in the case of corporations, or revocation of licenses in the case of a limited liability company or partnership, or the control of administrative committees, is transmitted herewith as enclosure no. 2.³⁵

Embassy officials have had many discussions with Colonel Olano and Dr. Carlos A. Adrogué, the attorney for the Administrative Board in charge of the control of Axis firms. Embassy officials have constantly pressed for the total liquidation or forced sale of the Axis firms. Both Colonel Olano and Dr. Adrogué state that the ultimate goal of the Government is to completely eliminate the Axis firms in Argentina by the liquidation of those firms not necessary to Argentina's economy and by the forced sale of the remaining firms considered essential to Argentina's economy. The Argentine Government officials entrusted with this program, however, state that at the present time it is necessary to undertake a complete inventory and appraisal of the assets of the firms subject to this control before either liquidating a firm or transferring it to native Argentines at public auction. Recently, upon direct inquiry as to the duration of time necessary for such preliminary investigation, Dr. Adrogué has advised the Embassy of a Resolu-

³⁵ Not printed.

tion passed by the Administrative Board requiring the final disposition to be made of firms subject to Government control within a period of 60 days after the Government has passed decrees specifically subjecting certain firms to the possession and control of an Administrative Board. The Ambassador in his interview with Colonel Perón on June 1, 1945, and again at the interview with the Minister of Foreign Affairs on June 26, 1945, has pressed for the speedy and complete elimination of Axis firms. At both of these interviews the Ambassador was informed that the Argentine Government program would be accelerated. However, to date the situation is as follows.

The Ministry of Finance has liquidated both the German banks, the Banco Germánico de la América del Sud and the Banco Alemán Transatlántico. These banks were liquidated by decrees of June 28, 1945, which by their resolutions provided that the banks be liquidated within a period of 30 days. By July 28, 1945 the doors of both banks were closed. During the 30 days period provided for the liquidation of the German banks, approximately 19,000 accounts out of a total of 26,000 accounts were withdrawn from both banks. All business of the aforesaid German banks has now ceased, although the liquidating committees are still settling the remaining accounts, credits, and debits of the two banks referred to.

The seven German insurance companies listed on page 18 of the Argentine Government report transmitted herewith,³⁶ with the exception of Hosmann y Cía., have also been ordered liquidated by decree. The day following the publication of the decree liquidating these companies, the Embassy received word that Hosmann y Cía. was also subjected to the liquidation decree. Thus, all German owned or controlled insurance companies in Argentina were thereby subjected to the liquidation decree. Embassy officials recently were received by the Minister of Finance, Dr. Ceferino Alonso Irigoyen, who is directly in charge of the implementation of the decree liquidating the German insurance companies. In this interview they were advised that all firms will be liquidated and their corporate charters have been revoked, and that all reserves and reinsurance reserves in the country belonging to such firms have been subjected to blocking. Dr. Irigoyen further stated that with the exception of the life insurance portfolio of "La Germano Argentina", the only Axis insurance firm selling life insurance, and the reinsurance company "El Fenix Sudamericano", all insurance of the seven German insurance companies will be rescinded and cancelled. The life policies of "La Germano Argentina" will be sold to Argentine companies or a pool of Argentine companies, whereas the reinsurance business of "El Fenix Sudameri-

³⁶ Not printed.

cano" will be sold to an existing Argentine reinsurance company, probably "Aconcagua". The Embassy and the British Embassy have been importuned by American, British and Argentine companies for licenses and acquiescence in their writing the Proclaimed List business formerly undertaken by the German insurance firms.

Both this Embassy and the British Embassy fear that if such acquiescence is denied the local Argentine insurance companies might violate the tenets of the Simon Plan. The Department will recall that in 1942 Mr. Simon³⁷ of the British Embassy induced all local Argentine insurance companies to sign an agreement not to accept any Proclaimed List business. If an Argentine company should not be penalized for writing insurance on Proclaimed List firms formerly written by the German companies, both the British and American companies will demand a license to do likewise. The Embassy has not reached its decision on this point, and is submitting the question to the Department by telegram for its decision. Furthermore, if such acquiescence should not be forthcoming, there is a danger that the Argentine Government may form a governmental insurance agency for handling this business.

As is apparent from the attached enclosures, Colonel Olano's Committee as yet has liquidated no firms, with the exception of Bruttomesso y Cía. and Ignacio Martínez y Cía., both of which are merely minor subsidiaries of Thyssen-Lametal. It has been reported by the Administrative Control Board that two more firms will be completely liquidated this week, Carl Zeiss and Agfa, the latter being a subsidiary of I.G. Farbenindustrie. The liquidation of these two firms, according to Colonel Olano, will be accomplished by the sale in lots of their entire stock in trade. As yet Colonel Olano's committee has taken no action regarding Axis trademarks and patents, although the matter has been discussed at length with Embassy officials. The present policy of the Committee regarding Axis trademarks and patents is to effectively take possession of the rights to the trademarks and patents, pending decision as to the ultimate disposition of these rights.

Since Colonel Olano has taken over the control and supervision of the Argentine Government program for the nationalization of Axis firms in Argentina, Mr. Luis Fiore has been relegated to the position of policy adviser and does not now exercise much authority, although several of his appointees are still on Colonel Olano's Board. Colonel Olano, although technically under the jurisdiction of the Department of Industry and Commerce, appears to be under the direct orders of

³⁷ Walter Simon, Financial Adviser and First Secretary of the British Embassy, Buenos Aires.

Colonel Perón and the Ministry of Foreign Affairs. Colonel Olano and members of his Board continue to be well disposed towards the Embassy officers with whom they deal in matters of consultation and exchange of information. Recently the Board submitted to the Embassy lists of employees of Gruen & Bilfinger S.R.L. and Thyssen-Lametal whom the Board considered Nazi and proposed discharging, and requested the Embassy to add to the list of those to be discharged any further employees the Embassy considered inimical. In the case of Thyssen-Lametal, eighty-three Nazi employees have been discharged after the Embassy added approximately thirty-five additional names of undesirable technicians.

The Embassy in its appraisal of the nationalization program finds that the Argentine Government has been dilatory and that the work accomplished to date amounts to little more than an elaborate type of interventorship. However, as the avowed purpose of the Argentine authorities and the Administrative Board is to completely liquidate or sell the German firms, the Embassy believes it should withhold its opinion as to the efficacy of the program until the expiration of the 60 day period allowed for investigation and ultimate determination as to whether the firms will be sold or liquidated. This period should end in early September, at which time the Embassy should be more fully able to gauge whether the Argentine Government really has the will to fully implement its commitments to liquidate or sell the Axis firms. As stated before, the steps outlined by Colonel Olano's Committee are as follows:

- 1) Intervention, or investigation, or both;
- 2) Revocation of corporate charters or licenses of the firms;
- 3) Management of the business of Axis firms by a governmental delegated commission;
- 4) Vesting of legal title in the Argentine Government;
- 5) Sale or liquidation, and blocking of proceeds.

It has been explained to the Embassy officers by the attorney for the Administrative Control Board of Axis firms, that a decree should be issued within the next 10 days vesting legal title in the Argentine Government of all firms presently subject to Administrative Control that own realty. This attorney, Dr. Adrogué, further states that it will not be necessary in his opinion to vest legal title in the Government of those firms which merely own stocks of merchandise as these stocks may be ordered sold merely by Resolution and the firm liquidated by the same method.

Considering the joint activities of Colonel Olano's Administrative Board and the Ministry of Finance, the nationalization program in Argentina to date may be summarized as follows:

Firms liquidated: 4

Banco Alemán Transatlántico
Banco Germánico de la América del Sud
Ignacio Martínez y Cía.
Bruttomesso y Cía.

Firms already subjected to liquidation decree and in liquidation now: 7

Aachen y Munich
El Fenix Sudamericano
Hosmann y Cía.
La Germano Argentina
La Internacional
La Mannheim S.A.
La Protectora

Firms that Government Board alleges will be liquidated within a week: 2

Carl Zeiss Argentina
Agfa Argentina

Firms subject to intervention or investigation: 128

Firms actually managed, controlled, or in possession of Argentine Government preliminary to forced sale and intervention: 39

Respectfully yours,

For the Ambassador:
HOWARD H. TEWKSBURY
Commercial Attaché

740.35112A/7-3145: Telegram

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

BUENOS AIRES, July 31, 1945—6 p. m.

[Received 8:40 p. m.]

1707. Argentine authorities who have intervened Axis drug firms here have requested opinion on ultimate disposition of Axis trademarks in light of occupation of Germany by Allied forces. Bayer, Schering, and Merck Companies will soon be subject to nationalization and Argentina's disposition of Axis trademarks should be immediately correlated with that carried out in the U.S. and other American Republics. Bayer marks are registered here under I.G. Farben name while Schering marks registered under local Schering Company.

Embassy concurs with Dept.'s policy of complete elimination of Axis trademarks outlined in Dept.'s 26, Jan. 10, 1945.³⁸ However Argentines are aware that our policy on Axis trademarks in U.S. is different from some of American Republics. Argentina will claim it is a manufacturing and distributing drug center and will no doubt desire its policy on Axis trademarks correlated with policy in other countries. Any of the following proposals, subject to Argentine approval could be applicable here: (1) The Allied Control Commission vest title in all German-owned trademarks that were not nationalized by local law prior to V-E Day; (2) that Argentine Govt. vest title in the right to local German-registered trademarks and cancel same; (3) that either Argentina or Allied Control Commission dedicate all Axis trademarks to public use; (4) that Argentina sell the rights to the trademarks to Argentine firms.

As proposals (2) and (3) were not followed in US, Argentina might object to them. Fourth proposal seems to Embassy least desirable, as purchasers might be cloaks for the former owners. The Embassy will defer advising Argentine authorities on matter pending receipt Dept.'s present views which are urgently needed.³⁹

BRADEN

862.20235/8-145 : Telegram

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

BUENOS AIRES, August 1, 1945—10 p. m.

[Received August 1—9:19 p. m.]

1720. ReEmbtel 1632, July 24, 8 p. m.³⁸ Because he fears state of siege will soon be lifted, Major Contal states he is faced with two alternatives regarding disposition of 71 Axis espionage agents, namely (1) turn over some 2,400 pages of evidence to Justice Ministry committing them to trial, in which case agents would no longer be available for questioning or deportation to U.S. or (2) recommend internment as dangerous enemy aliens to keep them available for questioning and possible deportation to U.S. Contal believes his superiors would favor his recommendation of second alternative, but to make such proposal he must have support of this Embassy and indication that American Govt. is interested in obtaining agents for questioning.

I am planning submit earliest possible to Foreign Office list of Germans recommended by U.S. and British for internment and eventual repatriation, and will include Germans on Contal's list.

³⁸ Not printed.

³⁹ In telegram 1058, August 9, 7 p. m., the Department recommended that no reply be made pending further consideration of questions regarding German assets in Argentina.

I strongly recommend Embassy be authorized immediately to inform Contal and Foreign Office we will send plane to take ringleaders to U.S. including such men as Becker, Burkhardt, Chantrain, Juan Harnisch, Seidlitz, and Utzinger, whom Contal indicates Argentine Govt. would willingly deport.

BRADEN

740.35112 RP/8-345 : Telegram

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

BUENOS AIRES, August 3, 1945—midnight.

[Received August 4—3:17 a. m.]

1753. Since passage of decree authorizing liquidation of Axis insurance companies, Minister of Finance has informed Embassy he proposes rescinding all their policies with the exception of life portfolio of the only company writing life insurance and cancelling reinsurance contracts of one other company which contracts will be transferred to Argentine companies. Embassy and British mission have been asked whether we would acquiesce in or license Argentine, British, and American companies writing policies for Proclaimed List entities when their present insurance is cancelled. Argentine companies may be tempted to violate Simon plan, [under terms of?] which in 1942 they agreed not to write Proclaimed List insurance. Argentine Govt. may also try to revise govt. insurance plan to insure listed entities that will be without insurance protection. Nevertheless, I strongly believe that we should neither acquiesce in nor allow licenses to Argentine or American companies to write any Proclaimed List insurance as this would be dangerous precedent and would materially weaken prestige of PL (Plain [*Proclaimed*] List) and our economic objectives in Argentina. In supporting this policy our Govt. and British Govt. must be prepared to list any Argentine insurance company, governmental or otherwise, which writes a policy for a PL entity. We must have British backing in a strong policy and British and American reinsurance companies must agree not to deal with companies that write insurance for listed entities. The only exception to this policy I advocate is that spearhead Axis firms once subjected to absolute control of Argentine liquidating committee, which to date amounts to only 40, should be allowed to be insured by American, British, and Argentine companies, as any payment to them would be automatically blocked. This strong policy may furthermore induce Argentine Govt. to complete control and block more spearhead Axis firms and eventually liquidate them. We have explored all other possible solutions of problem but I believe stern policy is only means of achieving desired ends.

Unless I am instructed to the contrary, I will proceed with this policy. This matter has been fully discussed with British Embassy, who are telegraphing London sense of the foregoing but without definite recommendation.

BRADEN

740.35112 RP/8-345: Telegram

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

WASHINGTON, August 8, 1945—8 p. m.

1051. Emb may authorize or license Arg, US, UK and other satisfactory firms, write expired or canceled insurance for Axis firms which are in process liquidation or nationalization and which are under control Arg liquidating committee. (Ur 1753, Aug 3, 1778, Aug 6⁴¹). Policies and authorization should be subject cancellation in event liquidation or nationalization not accomplished within specified period (ur 1364, June 28⁴²). Brit referring to London anticipate concurrence.

Such insurance unlike general licensing (ur 1364) and trademarks (ur 1707, July 31) considered separable from Replacement. Denial insurance PL firms under urgent consideration. Cable follows.

Emb should in so far as possible avoid taking affirmative action re replacement program which might seem inconsistent with possible claim to Ger assets in Arg by Allied Control Commission. It is hoped definite decision can be reached soon.

BYRNES

740.35112 RP/8-1445: Telegram

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

BUENOS AIRES, August 14, 1945—9 p. m.

[Received August 15—5:44 a. m.]

1860. ReDeptels [753], June 23, 6 p. m. and 1051, August 8, 8 p. m. I recommend that German external assets in Argentina be vested immediately by ACC (Allied Control Commission). Arguments in favor ACC vesting are:

1. It will supplement and render more effective Argentine replacement program which has been dilatory and largely ineffectual despite my persistent prodding. In fact, only real advance made has been that two German banks and all Axis insurance companies are now in process of liquidation and sale of merchandise owned by several German firms within next 2 weeks has been announced in local newspapers.

⁴¹ Latter not printed.

⁴² Not printed.

2. If Argentine replacement program is fully completed blocked assets should aggregate at least 600 million pesos, which sum would be greatly in excess of all Argentine claims and should not be left in their exclusive control, therefore ACC should vest now in order to acquire title before these assets are disposed of by Argentine authorities. A majority of firms now intervened will clearly come within definition of German external assets.

3. Colonel Olano advises that decree is now being prepared which will vest in Argentine Govt. title to realty of German firms. I think it desirable that legal title to German external assets in Argentina be vested in name of ACC before Argentina herself vests title.

4. ReEmbtel 1763, Aug. 4, 9 p. m.⁴³ On August 4 when I complained to Foreign Minister regarding procrastination in replacement program and was informed that program would be accelerated, I took advantage of occasion to intimate that ACC vesting was imminent. Argentines therefore are aware that this action is contemplated.

5. ACC vesting would assist in preventing reacquisition of firms by former German owners.

6. ACC vesting should minimize suits for redress in Argentine courts.

7. By ACC vesting action Argentine Govt. will be confronted with three-power approach, rather than unilateral action by U.S.

Arguments against ACC vesting are:

1. It is questionable whether ACC vesting of external German assets would touch German internal assets in Argentina or the assets of Argentines and other persons whose activities have been inimical to our war effort.

2. Argentines are hypersensitive to alleged encroachment on their sovereignty.

3. Argentina may claim discrimination inasmuch as technically she is co-belligerent, and such action against Argentina exclusively in Western Hemisphere might be considered discriminatory.

4. Argentina has enacted decrees for nationalization or Argentinization of Axis firms and has evolved control techniques which she may argue comply in form with requirements of Mexico Resolutions.

5. Argentina may allege that ACC vesting contradicts terms of international commitments embodied in paragraph 3, Resolution XVIII, Mexico Conference.⁴⁴

6. One risk to be incurred if Argentina should be antagonized by ACC vesting is possibility of failure to cooperate in SAFEHAVEN⁴⁵ undertaking.

⁴³ Not printed.

⁴⁴ Under terms of paragraph 3, the American Republics agreed that their rights in vested, affected, seized, or intervened property would remain in *status quo* awaiting final decisions of the individual American Governments. For text of paragraph, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 56.

⁴⁵ For documentation on the SAFEHAVEN policy of the United States, see *Foreign Relations*, 1944, vol. II, pp. 213 ff. and *ibid.*, 1945, vol. II, pp. 852 ff.

Arguments in favor of ACC vesting outweigh negative arguments, inasmuch as I am not satisfied that Argentine replacement program will fulfill its avowed objective under present administration whose good faith is indeed questionable. Furthermore, ACC vesting at this time may forestall or offset vesting by Argentina. It should bring to a head issues involved, strengthen ACC legal position regarding ownership of Axis assets, and serve to reemphasize by action of Three Powers concerned dissatisfaction with ineffective tactics of present Argentine Govt.

I therefore recommend following action be taken with utmost expedition:

1. ACC vest in itself all external German assets in Argentina.
2. ACC appoint commission composed of Ambassadors of U.S., Great Britain, and France, or their representatives to act for it in respect all such vested assets.
3. That notes to Argentine Govt declare aforementioned commission will collaborate with Argentine control always bearing in mind commitment to achieve Argentinization. It is considered necessary that this collaboration be specifically promised in order to avoid breakdown of such cooperation as is being received from Argentine Govt. Argentina should also be advised that sales of property will be made only to acceptable Argentine nationals. Argentina should be further requested to continue liquidation of inimical internal assets.
4. ACC local commission be authorized to employ such experts as might be necessary to cooperate with local authorities in respect to each vested firm or enterprise for protection of ACC interests therein.
5. Expenses incurred in this program to be first charged against assets of vested German concerns.
6. Argentina be assured she will be accorded position preferred creditor in respect such claims as she may have against Germany and for control expenses.

Dept. may wish to consider desirability of having vesting decree refer to all German external assets in other American Republics instead of applying it exclusively to Argentina. If this can be done without causing delay my position would be strengthened in dealing with Argentine Govt. as their possible contention of discrimination could be thus minimized.

In this whole business I would appreciate receiving Dept.'s views on what further steps are available to us in event Argentina should prove recalcitrant and decline to recognize vesting decree of ACC.

Will Dept. please repeat above telegram to Embassies at Paris, London, and to Moscow for Pauley.

BRADEN

711.35/8-2245 : Telegram

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

BUENOS AIRES, August 22, 1945—11 p. m.

[Received 11:50 p. m.]

1939. Dept.'s telegram 1130, August 21, 8 p. m.⁴⁶ No accurate information available re political prisoners being held. Estimates vary widely from low 60 to high 1500.

Despite our repeated protests Japanese schools and social organizations continue to operate unrestricted—also German schools. A few German social organizations have been closed but majority continue to operate.

One Jap weekly and one semi-weekly now being published in Spanish; pro-Axis German newspaper *Die Zeitung* published by former owners of extremely pro-Nazi *Deutsche La Plata Zeitung* still appears but policy recently cautious. Other pro-Axis German dailies have been closed.

Govt. decree of July 31 provides for SAFEHAVEN investigations but to date no progress reported in discovering Axis assets or in investigations requested re individuals seeking Argentine refuge. No control exercised over officers and directors of Axis associations. Similarly no action other than blocking of certain assets taken re German and Jap officers and directors of spearhead firms.

Seventy German agents at present under arrest. Investigations covered 15 Jap and 223 others for Axis espionage activities. On any basis of comparison number under arrest seems insignificant.

Argentine Govt. has intervened or is investigating all presently known spearhead firms but others will doubtless appear as investigations proceed. Funds of approximately 130 intervened firms have been blocked and receivers or control commissions placed in charge of 53 firms.

Fifty-three firms are under direction of receivers or control commissions with the avowed purpose of eventual liquidation. Two banks have been closed but are still in process of liquidation.

One hundred and thirty-nine firms (including above 53) are subject to either control, intervention, or investigation plus 6 Axis insurance companies presently being liquidated. In addition to German banks and insurance companies, actual liquidation has been accomplished only in cases of 2 minor commercial firms. Merchandise of 11 to 17 spearhead firms has been advertised for public auction. Exact figure depends on number classified as subsidiaries. Up to June 1 despite their formal commitments absolutely no action had been taken

⁴⁶ Not printed.

and foregoing very unsatisfactory accomplishments which actually amount only to glorified interventorship, i.e. nothing really effective, has only resulted from Embassy's constant prodding.

BRADEN

740.35112 RP/9-1545 : Telegram

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

BUENOS AIRES, September 15, 1945—5 p. m.

[Received 6:32 p. m.]

2188. I require urgently reply to mytel 1860, August 14, 8 [9] p. m. in which I recommended ACC (Allied Control Council) vesting of Axis external assets in Argentina. In absence of reply I cannot press for vesting of German assets by Argentine Government particularly as I prefer ACC vesting.

If Argentina prior to Rio Conference should vest all Axis spear-head firms and completely eliminate substantial number of the 56 firms now controlled by liquidating commission either by forced sale or liquidation, Argentina's record of compliance with Mexico Resolution XVIII might favorably compare with other Latin American Republics and even perhaps with U.S. in view of data supplied in Deptel 1270, September 14, 5 p. m.⁴⁷

As regards Argentine SAFEHAVEN decree, forms are now being printed for census Axis property with provision requiring completion by October 15.

BRADEN

835.00/9-2845 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, September 28, 1945—8 p. m.

[Received 9:30 p. m.]

2353. This afternoon I had a further long talk with the officer referred to in my telegrams 2316, September 27, 6 p. m., and 2320, September 27, 6 p. m.⁴⁸ He rather obviously conveyed to me a message from Foreign Minister,⁴⁹ as follows. He said that there were only two possible solutions to present situation: ⁵⁰ (1) Immediate and drastic action, and (2) a short period of calm for Cooke and the other Radical Ministers to get democratic procedure again functioning and

⁴⁷ Not printed.

⁴⁸ Neither printed.

⁴⁹ Juan Cooke.

⁵⁰ For a report on the political crisis occurring at this time in Argentina, see telegram 2306, September 27, 11 a. m., p. 412.

make further progress in eliminating Nazi activities. He said that worst possible course would be to let matters drift and to keep stirring up emotions by further statements, in which connection he referred to Ambassador Braden's statement that he was "shocked but not surprised" and, as being unfortunate. In this event there would be chaos in the country particularly as the opposition had no clear leadership. He said that the Foreign Minister was doing everything he could and pleaded for me to do everything I could to gain him a little more time. He asked me what the reaction to events had been in the U.S.

I said that news reports already showed that reaction had been bad; that even if I wished to do anything I was completely helpless; that I felt like a man trying to shoot Niagara Falls in a wash-basin; and that in spite of Foreign Minister's best efforts we were no further ahead in liquidation of German interests than when he took office 3 weeks ago. In this connection I cited latest *Graf Spee* developments, our failure to get into German banks in spite of a formal Foreign Office note (I have just heard that bank custodian is admitting us Monday), and failure of things to move ahead in liquidation of German firms. I said that we had been waiting for action for 4 years on basis of promises and that only some drastic action by Argentina might help matters. I spoke sympathetically of Foreign Minister's position but said that he was now undoubtedly as helpless as I was.

My friend continued earnestly to urge me to prevent action for a short time further. He spoke of the special commission which has been set up in Foreign Office which now included representations [*representatives?*] of other Ministries, and said it would expedite action on our notes. I said that the best I could promise was to report his comments to the Department. British Counselor⁵¹ also spoke to same officer of deplorable effect of events on public opinion.

CABOT

835.00/10-345 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 3, 1945—11 a. m.

[Received 12:30 p. m.]

2397. Embtel 2379, Oct. 1.⁵² My talk with the Minister of Interior⁵³ was long and unsatisfactory. His theme song was "why can't we

⁵¹ Sir Andrew Noble.

⁵² Not printed.

⁵³ J. Hortensio Quijano.

be friends", but inasmuch as he insisted upon doing most of the talking I found it impossible to give him a complete answer.

He began by saying that the Continent, including Argentina and U.S. must stand together, that a great danger hangs over all of us, to wit, communism; that it was sweeping all of Europe and that only a united America could prevent its spread to this hemisphere. I pointed out that our principal concern at the moment was Nazi totalitarianism. He then referred to the Castillo govt. as Nazi and said that revolutionary Govt. had been gradually getting rid of Nazis. After a long dissertation from him on recent Argentine political history we discussed at some length Argentine fulfillment of her pledges to extirpate Nazi activities in this country. He insisted that Govt. was moving ahead rapidly as possible although I cited names, facts, and dates to show the contrary. He promised full cooperation in extirpating Nazi activities so I plan to send some more notes at early date.

Quijano then asked why we were restricting shipments of coal, oil, and tires needed to transport food for starving Europeans. I pointed to agreements made by McClintock⁵⁴ and to sacrifices we were making to this end.

I had little chance to mention internal political developments. At one point he claimed that political arrests in past week had not exceeded 400. He insisted that Govt. would carry out pledge of free elections and spoke of the irony that he should be considered Fascist while conservatives like Saavedra Lamas were considered democratic.

To my mind most significant feature of talk was evidence of close cooperation between Perón and Vargas⁵⁵ Regimes. Interview was, of course, arranged by Brazilian Ambassador⁵⁶ who although he played conciliatory role frequently helped Quijano out. I found most significant Quijano's statement that the reason why Vargas and Perón regimes felt so close to each other was because they were facing similar problems in similar manner.

CABOT

⁵⁴ The fuel and vegetable oil agreement of May 9, 1945; see Department of State Executive Agreement Series No. 495, or 59 Stat. (pt. 2) 1799.

⁵⁵ Getulio Vargas, Brazilian President, 1930-1945.

⁵⁶ João Batista Luzardo.

711.35/10-645 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 6, 1945—2 p. m.

[Received 5:23 p. m.]

2449. In considering my 2434, October 5, 11 a. m.,⁵⁷ I believe Dept. should bear following in mind:

1. Cooke to my mind is undoubtedly doing his best to clean out Nazis and may be expected, if he remains in office, to accomplish quite a bit in this field even though his cooperation from other Argentine officials is far from perfect.

2. Although Cooke has some political standing basically speaking Perón is his master.

8. Our case against this Government depends primarily on Nazi sympathies and aggressive Fascist tendencies of Perón and clique not upon what it is doing to Argentine people, outrageous though that may be. At moment Cooke is building up case for compliance foreshadowed in Embassy's telegram 2066, September 4, 10 p. m.⁵⁸ Embassy is handicapped by lack of instructions re ACC vesting and repatriation programs and by fears that urging compliance in minor matters will play into Perón's hands. Embassy experts tell me that economic case against Argentina is already becoming from a purely legalistic standpoint poor. Nevertheless Nazi machine is by no means wrecked.

9. I must therefore emphasize that continuance of strong policy toward Argentina requires building up our case by showing extent of Nazi activities in Argentina and making demands which would really end them. Open references on our part internal political matters may well be resented in Argentina and other Republics as interference in internal affairs and are therefore unsatisfactory as justification for action.

10. News despatches from Washington re congressional reaction to Argentine situation are having most unfortunate effect locally. If assumptions in my 2368, September 30, 11 a. m.⁵⁹ are not correct and if [in?] congressional or public opinion the internal situation or any other reason renders unlikely the carrying through of strong policy, then let us take advantage of Cooke's attitude to climb off limb while there is yet time. Our policy at beginning must be based on how far we are prepared and able to go at end. Under no circumstances should we appease but we could shift our major attack to Nazi activities,

⁵⁷ Not printed.

⁵⁸ *Ante*, p. 406.

remembering that any success achieved will of itself hearten local democratic forces. But I must emphasize to Dept. that only by replacement of this basically Nazi government by a democratic government can we hope effectively to destroy Nazi machine in Argentina.

CABOT

740.35112 RP/10-645

The Chargé in Argentina (Cabot) to the Secretary of State

[Extract]

No. 999

BUENOS AIRES, October 6, 1945.

[Received October 16.]

SIR:

Intervened firms in process of investigation: 55

Intervened firms investigated: 69

It will be observed in analyzing these statements that although little progress has been made in the complete elimination of Axis spearhead firms, still a substantial progress has been made in the absolute control of spearhead firms.⁵⁹ The Embassy of course cannot express any satisfaction with the progress of the program until the spearhead Axis firms are completely and permanently liquidated. In speculating as to the reason why the Argentine Government has failed to date to take the ultimate step to completely eliminate the Axis firms by forced sale or liquidation, it may be that the Argentine Government intends to rest only with the type of control referred to in this despatch. In fairness to the Junta⁶⁰ and Dr. Cooke, they have stated that the avowed purpose of the Government is to liquidate or sell a majority of the firms now controlled. The Department will recall that the Argentine replacement decrees all provide that the Government may in its discretion decide either to sell, liquidate, or effectively control the Axis firms. If the Argentine Government should not completely and permanently eliminate the Axis firms by liquidation or forced sale, it may still claim technically and legalistically that it has complied with its international commitments as the language used in Resolution 5 of the Rio Conference,⁶¹ Resolution 7 of the Washington Financial Conference of 1942,⁶²

⁵⁹ The statements indicated, in summary, that the Argentine replacement program had eliminated 5 firms, was in the process of liquidating 8, and had brought 59 under control of the Government.

⁶⁰ Junta de Vigilancia.

⁶¹ See footnote 77, p. 439.

⁶² For text of Resolution VII, see Pan American Union, *Final Act of the Inter-American Conference on Systems of Economic and Financial Control, Washington, D.C., June 30-July 10, 1942* (Washington, 1945), p. 19.

and Resolution 18 of the Mexico City Conference⁶³ provide for the elimination or permanent control of Axis entities. The Argentines may therefore claim that on a strict and technical construction of their commitments and that by their type of control they have complied with Resolution 18 of the Mexico City Conference. Argentina may also contend that when its record of control of Axis firms is compared with that of some of the other American Republics there has been fairly satisfactory compliance. Embassy officers have constantly advised officials of the Junta and the Foreign Office that the complete and permanent elimination of Axis spearhead firms is the ultimate goal and should be speedily accomplished by the Government. The verbal assurances of Dr. Cooke, the Foreign Minister, and the Junta officials that they intend to completely eliminate the spearhead Axis firms is however dependent on the Perón regime, whose good faith must always be questioned.

Respectfully yours,

For the Chargé d'Affaires ad interim:

HOWARD H. TEWKSBURY

Counselor of Embassy for Economic Affairs

862.20235/10-1645 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 16, 1945—8 p. m.

[Received 8:26 p. m.]

2560. Legal Attaché informs me that five dangerous German agents are now en route to Buenos Aires. These five have been released by British, who arrested them in 1942 to 1943.

(1) Ernest Hoppe, naturalized Argentine of German birth, was recruited by Sicherheitsdienst⁶⁴ to supervise in Buenos Aires arrival and disposal of articles valued at 10 million German marks to be transported by submarine.

(2) Oscar Liehr, Argentine national, German spy on Allied shipping movement, who was given radio training, secret writing, and code training.

(3) Andrés Blay Pigrau, Paraguayan Consul General in Barcelona, caught with espionage note sewn in leg of trousers.

(4) Juan Sindreu Cavatorta, Argentine national, German espionage agent.

(5) Osmar Alberto Hellmuth,⁶⁵ Argentine national, whose case is too well-known for repetition.

⁶³ For text of Resolution XVIII, see *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City*, February-March, 1945, p. 55.

⁶⁴ Nazi Security Service, intelligence and counterintelligence agency headed by Heinrich Himmler.

⁶⁵ For an account of Hellmuth's activities, see Department of State, *Consultation Among the American Republics With Respect to the Argentine Situation* (Washington, Government Printing Office, 1946), pp. 6-17 *passim*.

I cannot too strongly insist to Department upon utterly disastrous effects return of these five German agents to Argentina will have on local situation. Their records are notorious in this country. Department will understand that it is useless to request Argentine Government to turn over to us German spies, to urge internment of Freude,⁶⁶ and to plan to return some hundreds of dangerous Germans to Germany as soon as repatriation program becomes feasible, if this sort of thing is to go on. Obviously other parts of our program against Nazi activities in Argentina will suffer only in lesser degree.

To make matters worse, if that were possible, these agents are reportedly travelling first class at moment when returning Allied veterans cannot even secure accommodations. The impression which this will cause locally when facts become known can well be imagined. British Embassy is deeply concerned as I at this incredible development.

I must strongly urge upon Department immediate and energetic steps:

(a) To prevent these people from reaching Buenos Aires, if it is at all possible. Hellmuth and Pigrau reported arriving October 23; Hoppe and Liehr, October 26; arrival Cavatorta not known.

(b) To secure British agreement to their return to internment or sending to Germany.

(c) To get firm assurances from British that they will release no other Axis agents who wish to return to this hemisphere without our previous assent.

(d) To arrange that no one once repatriated to Germany should be permitted to leave that country without assent of Allied authorities.

If these five agents cannot be prevented from reaching Buenos Aires I ask authority to request Argentine authorities to intern them. I assume that this matter has not been previously known to Department and it is therefore superfluous to point out that return of these agents to Argentina would be utter violation of various Mexico City Resolutions, notably Resolution VII.

I must again stress to Department importance and urgency of not only taking measures regarding these five agents, but also to prevent any recurrence of this kind of thing.

CABOT

⁶⁶ Ludwig Freude, German espionage agent.

862.20235/10-2445 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 24, 1945—9 p. m.

[Received October 24—7:36 p. m.]

2650. Re Embassy telegram 2560, October 16, 8 p. m. and despatch 1102, October 17.⁶⁷ Osmar Hellmuth and Andrés Blay Pigrau arrived in Buenos Aires yesterday and were promptly arrested by Argentine police authorities. Federal police asked Legal Attaché today for adverse information against Pigrau whom they consider deporting to Paraguay.

Ernest Hoppe and Oscar Liehr due arrive October 27.

On October 22 British Embassy notified Argentine Foreign Office these persons are self-confessed Nazi agents detained under special wartime regulations recently expired; that it was impossible for British to try them as their offenses were committed outside British jurisdiction; and asked that steps be taken by Argentina to insure they do not engage again in pro-Nazi activities or espionage.

Publicity covering return of Hellmuth thus far confined to factual report of return and review of his pro-Nazis activities.

In view of Argentine action I am merely urging Foreign Office to take measures against these spies under Argentine law.

CABOT

862.20235/10-2345 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 25, 1945—8 p. m.

1507. Deptel 1457, Oct 17⁶⁸ and urtel 2635, Oct 23.⁶⁹ Dept regrets impossibility of preventing return of Hellmuth, Pigrau, Liehr and Hoppe and is requesting clarification of Brit ability to hold Sindreu.

Is it legally possible to denaturalize Hoppe with a view to repatriation? Are other Argentine nationals native-born citizens and if so, could their citizenship be cancelled?

If repatriation not feasible remaining possibilities appear to be internment or criminal prosecution in Argentine courts. Do activities of these Axis agents contravene Argentine law? In this connection Dept is inclined to believe facts in Hellmuth case should not be released at this time.

⁶⁷ Despatch not printed.⁶⁸ Not printed.⁶⁹ *Ante*, p. 425.

Cable your views regarding most appropriate action on our part and inform Emb, Asunción of possible return of Pigrau to Paraguay.

BYRNES

740.35112A/10-2545 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 25, 1945—8 p. m.

[Received October 25—6:30 p. m.]

2663. Re Embassy's telegram 1860, August 14, 9 p. m. Embassy during last 2 months has refrained from pressing Argentine Govt. for sale of Axis firms as this would require prior Argentine vesting, which action might be considered contradictory to possible ACC (Allied Control Commission) vesting. Dept.'s circular airgram of Sept 28, 1945⁷⁰ indicates that PL (Proclaimed List) may be withdrawn in February 1946. If so, this might cause loss of interest in local replacement program. Furthermore, Dept.'s telegram 1434, Oct. 12, 8 p. m.⁷¹ indicates improbability of attaining ACC vesting for Argentina without consultation and approval of other American Republics. Therefore Embassy deems it now advisable to express to Argentine Foreign Office our Govt.'s concern over Argentina's procrastination in complete elimination of Axis commercial firms by forced sale or liquidation, especially in view of constantly reiterated statements by Argentine Govt. officials that Argentinization of German firms is ultimate goal of their replacement program. If ACC eventually claims title to German external assets in Argentina after Argentine sales, ACC can still vest blocked proceeds of such sales. Embassy desires urgently authorization from Dept. for transmittal of such note to Foreign Office.

CABOT

862.20235/10-3045 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 30, 1945—6 p. m.

[Received 8:55 p. m.]

2713. Re Embassy despatch 1037, October 10.⁷¹ Today's press reports Ministry Justice has ordered Inspector General of Schools to take possession of property, buildings, equipment, funds, textbooks, etc., of German and Japanese schools mentioned in Executive Decree of September 10. Furthermore, school year for these schools is considered closed October 31 and entire teaching staff suspended. In-

⁷⁰ *Post*, p. 671.

⁷¹ Not printed.

spector General empowered to investigate teaching personnel and make final decision regarding status, also to prepare detailed report on operation of schools, conditions of buildings, equipment, etc., and confer with Ministry of Foreign Affairs regarding final disposition these schools.

CABOT

862.20235/11-245

The Chargé in Argentina (Cabot) to the Secretary of State

[Extract]

No. 1232

BUENOS AIRES, November 2, 1945.

[Received November 12.]

SIR: I have the honor to report that on October 19, 1945 the Criminal Division of the Federal Court of Argentina ordered the release from its jurisdiction without prejudice to later prosecution, of 45, and the "preventive imprisonment" of 16 Axis espionage agents against whom charges had been made on August 31, 1945. These 61 individuals were put under the jurisdiction of the court upon the termination of the state of siege when they no longer could have been held without charge. In as much as the state of siege was renewed in early October and since the government expects to expel these agents from Argentina without trial, it is likely that the above mentioned procedure was utilized as the most convenient for the government's purposes.

These 61 Nazi agents, for the most part, were included in the original list of 71 agents as reported in the Embassy's despatch no. 173 of June 16, 1945.⁷² They are in addition to the list of 22 agents who soon are to be deported according to the Foreign Office statement of September 11, 1945. (Reference despatch no. 842 of September 19, 1945, telegram no. 2249 of September 22, 2 p. m., and despatch no. 930 of September 29.⁷³

Respectfully yours,

JOHN M. CABOT

835.00/11-1345 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, November 13, 1945—7 p. m.

[Received 7:30 p. m.]

2846. ReEmbtel 2831, November 10 and A-590, November 13.⁷⁴ Foreign Minister has issued second lengthy report claiming Argentina

⁷² Not printed.

⁷³ None printed.

⁷⁴ Neither printed.

has complied with international commitments and that Nazi-Fascist propaganda spreading from base here no longer possible. Claims based on following actions:

1. Junta after laborious efforts described in detail has determined German ownership many corporations cloaked as Swiss entities.

2. Junta has intervened 63 firms; additional 69 are under possession and control of Govt.; Govt. has resolved take possession of 14, and further 195 being investigated (this about identical with Embassy's figures).

3. Decrees issued call for liquidation of 11 firms, forced sale of 8.

4. Total of 341 firms studied by the Junta.

5. Assets all firms under varying degrees of governmental investigation, intervention, or control, total 589 million pesos.

6. Refers to *SAFEHAVEN* decrees as amended and also to fact that Central Bank is now informing Junta regarding accretions to foreign capital in Argentina since 1939.

7. Foreign Office claims that "no German or Jap schools exist in Argentina." (Actually only 12 German and one Jap school closed. Fifteen Jap and undetermined no. German schools remain, latter including at least 20 notoriously German institutions. Actually Embassy has names only 57 German schools still open and knows little about most these; investigation now in process, reEmbdes 1037, October 10; 1219, October 31 ⁷⁹).

8. Statement claims all Jap and German associations closed except few Jap sport, social, cultural associations now being investigated with view closure. (No Jap associations yet known closed, and various Nazi relief organizations are occasionally reported to be quietly active, reEmbdes 1245, November 3.⁸⁰

9. Foreign Office claims all directly or indirectly Nazi-influenced publications suspended and that Govt. will zealously prevent reestablishment same or new ones (yet notorious Nazi *Cabildo* reappeared as pro-Perón *Tribuna* October 31 and continues unhindered, reEmbdes 1234, November 2 ⁸⁰).

10. Problem of *Graf Spee* crew reported "solved" and transportation only hindrance repatriation (no mention made that Govt. contemplates permit continued residence many married to Argentines, reEmbtel 2836, November 10 ⁸⁰).

11. Statement recounts steps taken against enemy agents, mentioning creation special organizations in Federal Police and Foreign Office for this purpose and for exchange police information with other American nations; arrest 13 members German Blue Group (reEmbdes

⁷⁹ Neither printed.

⁸⁰ Not printed.

1255, November 5 ⁸¹); holding of some agents for prosecution and of others, released by court, at disposition executive power (reEmbdes 1232, November 2; statement listed latter group omitting Guillermo Maurer, since deceased, and Gertrudis Schutz); proposed deportation all non-Argentine agents. Where there is proof all agents will be prosecuted and must serve sentences before deportation; but even where proof is insufficient they will be deported by executive action under "Law of Residence". Further, that every effort will be made suppress similar activities of Argentines, witness arrest Hellmuth, Hoppe, and Liehr (reEmbdes 1245, November 3 ⁸¹); that Argentina will communicate to American nations data obtained concerning espionage activities outside Argentina; and that decrees November 7 and 10 ordered deportation 11 agents. Ten of these 11 were included in 22 mentioned for deportation in September 11 Foreign Office statement (reEmbdes 842, September 19 ⁸¹); one of 10 already voluntarily repatriated; 11th was Guillermo Wieland not previously included any list but see despatch 1164, October 24. ⁸¹ Foreign Office claims 10 have been arrested, reEmbtel 2836, November 10. ⁸¹

Our evaluation of statement is that progress has been made but that much remains to be done to achieve total elimination of Axis activities. Minister's statement alleges that Argentina is moving toward this goal and its validity must therefore be tested on basis of Argentina's good faith. Decrees ordering sales and liquidation and expulsion Axis agents are steps in right direction.

CABOT

835.00/11-1745 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, November 17, 1945—noon.

[Received 1:13 p. m.]

2883. In conversation with Foreign Minister last evening he complained of Mr. Braden's repeated speeches ⁸² against Argentine Government. He pointed out that he had done everything possible to take action we suggested against Nazi activities and challenged me smilingly to mention any case in which he had not done something. I mentioned Freude and said that much remained to be done on various of the cases.

It appears true, however, as foreshadowed in Embtel 2066, September 4, 10 p. m. ⁸³ that Cooke has built up a fairly good case for Argen-

⁸¹ Not printed.

⁸² The texts of a number of these speeches appear in the Department of State *Bulletin* for the year 1945.

⁸³ *Ante*, p. 406.

tine compliance with inter-American resolutions to crack down on Nazi activities.

CABOT

862.20235/11-2945 : Airgram

*The Secretary of State to the United States Political Adviser for
Germany (Murphy)*

WASHINGTON, November 29, 1945.

A-239. For Griswold.⁸⁴ By order of the Secretary a special *ad hoc* unit has been organized under Assistant Secretary Braden to collate with the greatest possible speed all evidence of Axis activities in Argentina and especially complicity of the present Argentine regime. Success of this project depends largely on obtaining additional evidence from sources within Germany. Material already received from you is very valuable for this purpose, but much more is needed, especially in the form of interrogation of German personnel. In view of the extreme urgency you are requested to transmit hereafter by airgram full description of important material discovered hereafter, following up with expeditious transmission of photographs of documents and other full reports. War and Treasury Departments are cooperating in this project. Griswold should therefore communicate with proper Army authorities in Germany to ascertain who has been charged with this work in Germany for the Army. It is recognized that additional personnel will be needed in Germany for this project, especially interrogators. Griswold should use all available personnel for this purpose and arrange for the use of qualified Army personnel to the extent necessary. In this connection reference is made to War Department cable no. 84395 dated November 14, 1945 instructing War Department personnel to give priority for the purpose of this project. Griswold should also inform himself on the progress and coordination of investigation of German commercial and industrial enterprises in this field by Cartels and External Assets Investigation Division and report developments currently.

Information needed from you (unless already transmitted in the material en route) is as follows:

1. Ascertain for purposes of interrogation whereabouts of Foreign Office personnel who handled Argentine matters in recent years, including subordinate assistants and clerical help. Information available here indicates that Reinebeck was in charge of Latin American

⁸⁴ Richard W. Griswold, Economic Analyst, Office of the United States Political Adviser on German Affairs.

political matters and Beye was in charge of Latin American commercial and economic matters. Therefore, these two may be sources of information on this subject.

2. Special and detailed interrogation should be made of all such personnel along the following lines (in addition to such others as may occur to the interrogator).

a) Where is the Argentine correspondence and file material not discovered by you in existing Foreign Office files at Marburg?

b) Where are other communications and file material on subject of Argentina not filed with Foreign Office, such as Abwehr,⁸⁵ SD,⁸⁶ cultural activities not under Foreign Office, etc.?

c) What are names and whereabouts of other individuals than Foreign Office personnel involved in the handling of Argentine matters within the German Government, both at the German end and the Argentine end?

d) What were the plans (completed, projected, or otherwise) for the use of Argentina for German purposes? Are documents available in which such subjects are discussed? If so, the documents should be obtained and promptly transmitted. It should be borne in mind in this connection that we are concerned with the participation of the present Argentine regime in any German plan as well as the use of Argentina by Germany as a base for penetration elsewhere in this hemisphere (such as Bolivia, Brazil, Paraguay, Uruguay, and Chile) and any German plan to dominate Argentina.

e) Obtain full story on conspiracy and cooperation with leaders of the Argentine ruling regime, including financial aid to the officials of the present regime, plans for armed aid, bribes, subsidies, technical military assistance, use of other intermediaries (such as Spanish) both before and after the Argentine Revolution of June 4, 1943. In this connection specific information should be sought on Argentine leaders, particularly Colonel Juan D. Perón and General Edelmiro Farrell. Also ascertain the part played by such German agents as Ludwig Freude, important in Argentine construction industry and German community, and SD representatives Becker and Harnisch.⁸⁷ All files involving Freude, Becker, and Harnisch mentioned above should be photographed and transmitted with greatest dispatch.

f) Obtain details of German participation in Helmuth case, with which Blancke is familiar.

3. You should also conduct investigation of Ibero Amerikanisches Institut along same lines as foregoing.

It is expected that you will be sent additional lines of specific inquiry as may be indicated by further developments.

BYRNES

⁸⁵ Information agency of the German High Command.

⁸⁶ Sicherheitsdienst, Nazi Security Service; intelligence and counterintelligence agency headed by Heinrich Himmler.

⁸⁷ Hans Harnisch was a key secret agent of the German military intelligence service (Abwehr).

800.515/12-745: Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 7, 1945—7 p. m.

1736. Re proposed complete revision Arg economic case as outlined in detail in instr in preparation Dept contemplates simultaneous, coordinate investigation of records of certain spearhead firms in Arg and of their principals in Ger.

Prep Arg case is regarded as most urgent and impt undertaking confronting this Govt in Hemisphere today. You are directed to suspend at once all other economic work, investigative or otherwise, which is not strictly urgent so that all available qualified personnel so engaged can be transferred to project. You shd arrange at once admission to all records of firms at places of business in which Emb can place now at least one investigator, and begin immediately examination of records. You may give as reasons to Arg authorities: (1) offer of Junta to permit access (2) need to obtain full picture Ger economic transactions being investigated by us in Ger. You shd endeavor procure authorization first from Junta and if unsuccessful approach FonOff. Since Ger investigators have already submitted partial reports on IG Farben, Stahlunion, Mannesmann, copies of which are being transmitted, as well as explored Holzmann files, Emb shd begin with Mannesmann, Thyssen Lametal, Geope and if possible Bayer.

Confidentially primary object of search is to procure evidence of any nature whatsoever from firms' files re: (1) Connections between spearhead firms and individuals and Arg Govt and officials, including especially (a) contracts of any nature, (b) funds transferred for any purpose from enemy firms or persons to Arg officials or political parties, (c) funds or goods passing from Arg Govt or officials to enemy firms or persons, such as purchases in their behalf or subsidies in any form. (2) Connections between enemy firms and Ger Govt and officials. (3) Connections of Arg Govt and officials with Ger Govt and officials. (4) Inadequacy of Arg controls, especially (a) inimical activities of enemy firms in Arg and elsewhere, (b) connivance of Arg Govt in inimical activities, (c) economic transactions contrary to Rio V, Washington and Mexico City Resolutions. Investigations shd not be restricted as to time but shd cover completely war and prewar periods.

Reports shd be transmitted as evidence accumulates and last report not later than January 1st.

BYRNES

740.35112A/12-1345: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 13, 1945—noon.

[Received 1:27 p. m.]

3115. AP and UP⁸⁸ despatches published in local press amplify statements by McDermott⁸⁹ reported in today's radio bulletin. McDermott is quoted as citing "the three principal beneficiaries (Freude, Staudt, and Mandl) of the delay and protection of Argentine officials," and as declaring that "in conformity with the Chapultepec Act the Argentine Govt. together with the American Republics agreed to confiscate all enemy businesses functioning within their respective boundaries. He added that up to now the Argentine Govt. has not adopted these measures in any case."

I feel that I should respectfully point out to Dept. that there are serious inaccuracies in press version of McDermott's statements. We have never asked that any action be taken by Argentine Govt. against Mandl because evidence against him is barely sufficient justify his inclusion on PL. Dept will also recall that it even refused authorize his deportation to U.S., reDeptel 655, June 8, 11 a. m.⁹⁰

Under the Rio, Washington, and Mexico City Resolutions (not Act of Chapultepec) American Republics did not agree confiscate enemy property. As pointed out in Embassy's despatch 1056, October 13,⁹⁰ Argentina may be said to have made technical and very substantial compliance with respect to its commitments to take action against Axis firms. Despite the suspicion which must inevitably arise in connection with Staudt affair, progress made since that date has increased, rather than decreased, Argentine compliance. In this particular even radio bulletin is inaccurate.

I must emphasize to Dept. that inaccurate statements of nature cited above may unfavorably sway wide sector of Argentine public opinion which is actually or potentially opposed Perón but which objects to what it considers our constant picking on Argentina. Moreover, we can scarcely expect Argentine cooperation in continuing process of liquidating German firms (which as pointed out above is not covered by Inter-American Resolutions) if we publish inaccurate statements smearing the real progress made by Argentina. I should also imagine that Cooke's half truths would be more readily believed in other American Republics than any palpable inaccuracies published by us if only because of entirely human urge to seek the easiest way out.

⁸⁸ Associated Press and United Press, respectively.

⁸⁹ Michael J. McDermott, Special Assistant (for press relations) to the Secretary of State.

⁹⁰ Not printed.

I earnestly hope Dept. will immediately issue a correcting statement and will take care that future statements about Argentina are strictly accurate.

CABOT

740.35112A/12-1345 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 13, 1945—5 p. m.

[Received 5 : 54 p. m.]

3121. ReEmbtel 3115, December 13, noon. Embassy this morning received call from two representatives of Junta who protested in strong terms against yesterday's statements. These gentlemen who are well disposed toward Embassy and who are currently working closely with Embassy on discharge of German employees and plans for sale of 15 firms, expressed their objection to statement that Junta has done nothing to eliminate Nazi firms.

Their attitude adds weight to my recommendation that correction be published.

CABOT

740.35112A/12-1345 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 13, 1945—6 p. m.

1780. The press despatches mentioned in your 3115 were inaccurate in saying that the word "confiscate" was used. What was said was "take over". The use of words "Chapultepec Act" is a common confusion to which no importance is attached. The point is that Argentine Government is bound to take action whether we request it or not and they have not done so. We are not disturbed that any important sector of Argentine public opinion will be swayed by the reports and consider it undesirable to issue any denial.

ACHESON

740.35112A/12-1345 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 14, 1945—8 p. m.

1792. If further question is raised by Junta representatives re statement discussed Embtel 3115, Dec 13, noon, you may state that Dept spokesman addressed himself exclusively to three firms mentioned in Cortesi article. He stated that Argentine Govt has taken no action

re the three firms named. He was not asked about and did not discuss adequacy or inadequacy of Junta's work generally.

Any statement purporting to correct news service despatch for which we cannot assume responsibility would inevitably be construed as a judgment on over-all adequacy of Junta's efforts. We are not prepared to pass any such judgment at this time.

ACHESON

862.20235/12-1945 : Airgram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 16, 1945.

[Received December 29—11:17 a. m.]

A-689. Reference Department's telegram no. 1585 of November 9, 12 noon ⁹¹ concerning action taken in the cases of Sindreu, Hellmuth, Liehr, Hoppe, Pigrau.

Sindreu still has not arrived here. Pigrau was deported to Paraguay about month ago; have thus far been unable obtain specific details. Asunción is now being advised. Foreign Office believes that Hellmuth and Liehr cases have been presented to court; prosecution is completely confidential.

Unconfirmed report, however, indicates that Hellmuth released by court. This may be simply release on bond pending trial. Hoppe case also expected to be taken to court soon according to Foreign Office.

Further information will be reported as it becomes available.

CABOT

800.515/12-1745

The Secretary of State to the Chargé in Argentina (Cabot)

No. 7284

WASHINGTON, December 17, 1945.

The Secretary of State refers to the Department's telegram no. 1570 of November 6, 1945 and the Embassy's telegrams no. 2810 of November 8, 1945 ⁹² and no. 2846 of November 13, 1945 in relation to the revising of the January 1945 memorandum ⁹³ concerning Argentina. A swift but intensive survey over a period of three weeks of all available material relative to the economic aspects of the Argentine case has shown that developments both in Argentina and elsewhere require, as explained to greater length below, that Exhibit II of the Argentine memorandum be revised in a fundamental fashion.

⁹¹ Not printed.

⁹² Neither printed.

⁹³ The King-Skelton report entitled "The Failure of Argentina to observe her commitments under resolution V of the Rio Conference," not printed.

I

The Officer in charge should of course report as soon as possible all known instances, mentioned in the Embassy's telegram no. 2810, of Argentine governmental aid to spearhead firms subsequent to January 1945 or of an earlier date which were not mentioned by Messrs. Skelton and King. The Embassy is requested to report whatever evidence may be available that the Argentine Government countenanced the delivery of Swedish newsprint to pro-Axis newspapers. The Embassy should also report in detail all contracts with, or purchases from or in behalf of, spearhead firms since January 1942, which are known to have been made and are not discussed or listed in the Skelton-King report. While, as the Embassy recognizes, the assumption of control over these firms by the Argentine Government renders such contracts somewhat less objectionable than formerly from the point of view of security, the fact remains that title to these firms continues to rest in the enemy and that under the contracts funds are accumulating which may ultimately go to the actual owners. The Embassy should indicate in the case of each spearhead with which contracts have been negotiated, or from which purchases have been made, the date on which the Argentine Government placed it under control and possession. The Department would appreciate the Embassy's also commenting concerning each contract as to its essentiality and the existence of an alternate friendly choice to the spearhead firm in the accepting of a bid. It is understood that in at least one instance the Argentine Government accepted a high bid from Cia. General de Construcciones in preference to a lower bid submitted by a politically satisfactory firm.

Thus there are two groups of contracts in which the Department is presently interested: (1) the contracts negotiated prior to the issuance of possessory decrees which can be cited to demonstrate the Argentine Government's willingness to assist enemy firms in evading the Proclaimed List and that Government's indifference to any possible aid to the enemy that such contracts might render, and (2) the contracts made after the taking of possession which further increase the accumulation of blocked funds in accounts in the name of the enemy. If the Argentine Government should fail ultimately to force the sale of all the firms under its control with which contracts have been made, the firms not sold would probably be returned to their former owners, including the blocked funds representing the firms' profits under the contracts. Moreover, if the Argentine Government should not be sincere in its expressed intention of forcing the sale of the firms under its control and possession, as there is considerable reason to believe, then the granting of contracts to them even after the establishment of control would represent in the long run an additional means of perpetuating the enemy interests in them and a

continued avoidance of the sanctions of the Proclaimed List. While the names of the firms remain on the Proclaimed List, traffic with them not expressly authorized by the Embassy or the Treasury must be regarded as trade with the enemy.

If in the Embassy's statement that the Argentine Government had no scruples in dealing with Proclaimed List firms, the Embassy had in mind transactions or actions other than the negotiation of contracts and making of purchases, these too should be reported in detail.

In the event that the Embassy has already reported the foregoing information in part or entirety, or that the details are being incorporated in the memoranda contemplated in the Embassy's despatch no. 1316 of November 14, 1945,⁹⁴ the Officer in Charge may restrict his report to this extent by making specific references to the earlier reports and to the memoranda.

II

The economic phase of the Argentine case must be considered from at least three aspects: (1) the accomplishments of Argentina since January 1945; (2) the deficiencies that remain; and (3) the propositions that can be supported against Argentina.

Subsequent to the memorandum of January 1945 the situation in Argentina with respect to economic warfare rapidly changed. The Inter-American Conference on Problems of War and Peace was called at Mexico City. Argentina declared war against the Axis. The United Nations convened at San Francisco. Hostilities came to an end. Under the incessant persuasion of Ambassador Braden and the press of these and other events the Argentine Government took the first steps toward the elimination of enemy spearhead firms. The consequence is that Argentina can now be said to have made substantial progress toward compliance with the minimum requirements of Rio V, Washington VII, and Mexico City XVIII Resolutions.

It is in this light that the Department has reviewed the Skelton-King report concerning "The Failure of Argentina to Observe Her Commitments Under Resolution V of the Rio Conference". Concerning some six principal charges contained in that report must be considered the following points: (1) With respect to Axis economic penetration in general, Argentina has made substantial progress toward compliance with the minimum requirements of Rio V. (2) While it is apparent that Argentina continues to evince greater regard for the immediate well-being of her local economy than for the security of the Hemisphere, Argentina has placed enemy economic interests under a modicum of control. (3) Although Argentina never did take proper measures to prevent activities in behalf of the enemy,

⁹⁴ Not printed.

hostilities are at an end and the enemy himself is under Allied occupation. (4) The Argentine Government has eliminated several enemy spearhead enterprises, has decreed the elimination of several others, and has taken control and possession of all the remaining spearheads. (5) The Argentine Government continues to render assistance to enemy spearhead firms through the making of contracts with them, but most of these firms are in possession of the Argentine Government. (6) Finally, while Argentina is everywhere recognized as the center of SAFEHAVEN activity in the Hemisphere, Argentina has on paper at least done more than any other republic to ferret out hidden enemy loot and assets.

It is thus readily evident that Exhibit II must be revised not only in content but in approach. While certain corollaries or refinements of the original propositions remain apposite today, it appears that the economic case against Argentina must now be constructed around one fundamental charge and one fundamental fact: (1) Argentina is insincere in its ostensible efforts to eliminate enemy economic interests, and (2) despite all the so-called accomplishments, the Nazi economic spearhead remains today in Argentina in essentially the same strength and vigor that it existed four years ago. These are the propositions which this Government hopes to maintain in its revision of the Argentine case.

As to sincerity this Government would charge that Argentina deliberately constructed a facade of controls for the sole purpose of creating an appearance of compliance with her international commitments. In support of this charge it can be shown that each successive measure was taken only after persistent protest and prodding, that measures once taken were executed in so dilatory a fashion as to render them for months practically ineffective, and that, as confirmation of this insincerity, the Argentine Government threatened with dismissal at the behest of an enemy spearhead the official in charge of the entire program, and forced him ultimately to remain in office with a further threat of dismissal from the Army, necessarily without independence of judgment or action. All during the period when the enemy spearheads were very gradually being brought under a pseudo-control—a control which is always subject to the influence of the enemy with the Government as in the cases of Staudt, Freude, and von der Becke—the Argentine Government continued to make contracts with the enemy firms in order that they might not be injured by the sanctions of the Proclaimed List.

Above all, however, as proof of the Argentine Government's insincerity, is the fact that the Nazi economic spearhead remains today in essentially the same strength and vigor as it existed four years ago.

Argentina has been from the beginning the center of Nazi influence

in the Hemisphere. Instead of taking measures, while the United Nations were struggling against the Nazis at their very doorsteps, to extirpate that influence, the Argentine Government permitted it not only to perpetuate itself but to expand. There would be cited here the accumulated proof of enemy penetration, the increased profits made by enemy firms during the war, the total failure of Argentina to take any step to assure that these firms which operated without restriction could not injure the war effort of the United Nations. The egregious inadequacy of Argentine controls would be demonstrated by the delineation of glaring example after glaring example.

As shown in the political portion of the memorandum, the Government which failed to support the United Nations during the war is the same Government which is permitting Argentina to remain the only possible center for Nazi revival in the Hemisphere. Instead of eliminating the enemy firms when they were assisting the enemy, Argentina waited until the enemy was defeated in Germany to place them even under control. The control that is exercised is limited to the firms owned or controlled from Germany which are already subject through that ownership to control by the Allied Control Council in Germany. Certainly such firms can do this country little harm and the enemy little good within the proximate future. The essential requirement is therefore elimination so that these and other firms shall never again be in a position to form the economic basis for Nazi activity in the Americas.

It is of no great significance as far as Argentina is concerned that certain other American republics have taken unsatisfactory action against enemy enterprises. In these countries Nazi penetration had not reached the same proportion as in Argentina, nor were the enemy firms nurtured all during the war with the same devoted concern for their profitable and continued operation. As a matter of fact, in one of these countries most of the enemy spearheads are merely branches or affiliates whose head offices are in Argentina. These countries did not permit the relatively free interchange of funds and communications during the war between the enemy and this Hemisphere which in Argentina provided the elements of Nazi penetration with access to funds for inimical purposes and with means of receiving instructions from and conveying information to the enemy. While in some of them vestiges of the enemy remain, only in Argentina does the enemy still constitute a menace to Hemispheric security.

The objective of Rio Resolution V is elimination. Other American republics when confronted by Nazi penetration differing only in degree proceeded almost at once to vest title and eliminate enemy ownership. Until elimination is effected in Argentina by liquidation or forced sale of the vast economic interests which constitute today as they did four years ago the spearheads of German penetration, the Argentine

replacement program must be considered outward but fictitious compliance with its international obligations. In fact, without elimination of enemy interests, mere control must be regarded as protection and perpetuation of enemy interests.

Incidentally the Embassy should under no circumstances regard the possessory control exercised by the Argentine Government as in any way comparable to the action taken by the United States Alien Property Custodian against enemy owned properties. The Custodian has vested title to all known German enterprises in this country. This title is firm and could be returned to former ownership only by act of Congress. The supervisory orders of the Alien Property Custodian mentioned in the Embassy's despatch no. 999 of October 6, 1945 are issued only in the instances where enemy ownership cannot be determined. With respect to vested firms not yet sold by the Alien Property Custodian, firm title to these firms rests with the United States Government, and in most instances the firms exist only as shells. Firms which still exist as going concerns under the Alien Property Custodian are the subjects of litigation and will be sold as soon as the litigation is settled. These firms are now very few in number. It is the determined policy of the Alien Property Custodian to sell vested titles to satisfactory ownership as swiftly as possible.

The Argentine Government permits Nazi leaders like Freude and Staudt to enjoy complete freedom and their commercial interests to operate unrestricted. These persons and others in the Nazi network are believed to continue to make contributions to the political party in power. A Nazi removed from an enemy firm at the instigation of one of the United Nations has been given a high place in the Argentine Government from which he can actually control the future operations of the firm from which he was removed. As a matter of fact, an interventor in the firm itself has stated that he was instructed by the head of the Argentine Alien Property Custodian that this person should still be considered unofficially in charge. At the behest of a known Nazi against whom action was contemplated by the Argentine Government, the official in the Government who was responsible for the action was threatened with dismissal. Thus Argentina refused to attack the enemy when he was strong and now that he is weak is offering the succor which may represent his only means of survival.

III

While the Skelton-King material, together with the information requested in Part I above, substantiates a good many of the foregoing statements and offers some opportunity for reinterpretation in the light of SAFEHAVEN objectives and the circumstances of peace, it is

apparent that additional evidence must be developed in support of this Government's position. As a means of securing this evidence, it has been proposed to initiate simultaneous investigations in the files of a limited number of spearhead firms in Argentina and in the files of their principals in Germany. The Department's telegram no. 1736 of December 7, 1945 indicated the nature of the project as well as the general types of evidence which seem to be most needed. As of further possible assistance in this connection, there is enclosed a detailed outline⁹⁵ of the items of evidence which the Department believes should be among the foremost objectives in the investigative work. This outline should not, of course, be regarded as a limitation with respect to either subject matter or nature of evidence.

A copy of a draft cable to General Clay in Germany concerning the coordinate German investigation is enclosed.⁹⁶ Since this cable lists certain firms in an order of priority for investigation, it is suggested that the Embassy follow the same general priority in its investigations in Argentina. With respect to the banks, however, the Department is inclined to feel that, unless the Embassy anticipates almost immediate results of an impressive character, the investigation should be suspended for the time being and the experienced investigators working in them assigned to other unexplored spearhead files. It may be that investigations in other files will provide leads which can be followed up or verified in the banks' files, and it is possible that the proposed investigations and interrogations in the banks' home offices will produce suggestions for further action in Argentina. The Embassy may also desire to take advantage of investigations already undertaken in Germany and begin its investigation in the affiliates of Philip Holzmann, I.G. Farben, Stahlunion, and Mannesmannroehrenwerke. The Department is presently reproducing copies of reports concerning I.G. Farben, Stahlunion and Mannesmannroehrenwerke, and these, together with copies of other reports received from Germany, will be transmitted to the Embassy as they are received and reproduced.

It is hoped that in accordance with the Department's telegram no. 1765 of December 11, 1945⁹⁵ the Embassy will be able to secure permission from the Argentine Foreign Office for free access, at the place of business and without limitation, to the files of all the firms listed in the cable to Germany. If this should prove to be impossible, the

⁹⁵ Not printed.

⁹⁶ Not printed; the draft cable referred to was transmitted on December 12, 1945, by John Hickerson, Acting Director of the Office of European Affairs, to Maj. Gen. J. H. Hildring, Director, Civil Affairs Division of the War Department, with the request that contents thereof be further transmitted to Lt. Gen. Lucius D. Clay, "as a matter of the most particular urgency." (862.20235/12-1245) General Clay was at this time serving as Deputy Military Governor for Germany.

Embassy should attempt to secure for examination at the office of the Junta or in the Embassy all the records that the Junta will make available or at least the parts of the records which are believed by the Embassy to offer the greatest prospect of assistance. In requesting access to the files of specific firms, the Embassy must not overlook the possibility that, on advance notice, interested persons might destroy important papers. The Embassy may desire for this reason to limit its request to the firms in which it is in a position at once to place at least one investigator.

The Embassy should, of course, report any obstacles placed in its way by the Argentine Government to full and free inquiry. Such obstruction, as the Embassy will appreciate, would represent a significant indication of the insincerity of the Argentine Government. Investigators in Germany will be specially assigned to the search of the files of the German counterpart of any Argentine firm to whose files access is denied.

In general, it is recommended that the Embassy carefully note the suggestions as to methods of investigation incorporated in the request to General Clay.

Persons specially assigned to the project in the Department will attempt to coordinate between Argentina and Germany both the investigative work and the evidence as it accumulates. If the Embassy at any time believes that specific investigations of an explicit nature in Germany would be of assistance in its investigations, the Embassy should transmit its inquiries, together with all related information, by the most expeditious means for relay to Germany. On the other hand, if the Embassy should develop information which might assist the counterpart investigation in Germany, this information should be flashed at once to the Department so that it can be placed with the proper persons in Germany as soon as possible and while the German investigations are in progress.

The Department is making an extreme effort to recruit the additional personnel heretofore requested by the Embassy and especially needed in view of the extent and urgency of the present project. While it is most difficult to find qualified persons and although adequate funds are not available, three Auxiliary Foreign Service Officers are presently en route to Buenos Aires. The Department is striving to obtain the necessary transportation out of Miami so that as many of them as possible can reach Buenos Aires in time to assist the Embassy in the project. In addition, as the Embassy is aware, other Embassies have graciously accepted the temporary detail to Buenos Aires for this project of certain officers from their staffs who appeared to be eminently qualified for the work at hand.

It is suggested that the Officer in Charge designate at once an officer of the Embassy to coordinate, as well as exercise general supervision

over, all of the investigative and reporting work connected with the project. Because of the importance and urgency of the project, the Officer in Charge should transfer to it all qualified persons who are presently engaged in investigations offering in his opinion less prospect of imposing results along the lines desired within the next few weeks. All persons working on commodity or other economic work who can be spared and who are qualified to assist in the project in any respect should be included in the transfer. The designated officer should of course coordinate the work of this team with that of the offices of the Legal, Military and Naval Attachés. This coordination might be helpful in the location and use of informants as well as increase the available number of investigators. If the Officer in Charge believes that directives of any specific nature from the Federal Bureau of Investigation or the War or Navy Departments would be of assistance now or in the future in this connection, the Embassy should of course so recommend to the Department. The Embassy should also inform the Department concerning the availability for the project of any personnel in Argentina presently assigned to other agencies or departments of the Government.

The Officer in Charge is requested to keep the Department informed of the progress being made and of any problems that develop.

BYRNES

740.35112 RP/12-1945: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 19, 1945—6 p. m.

[Received December 19—5: 50 p. m.]

3178. At meeting last night four Embassy officers were introduced to members of Junta and Presidents of Liquidating Commissions in atmosphere of extreme cordiality and promises of complete cooperation with Embassy on replacement program.

Olano in presence of Junta officials pointedly inquired as to purpose of investigation, exact nature of information required, and what Embassy plans to do with findings. Wallin,⁹⁸ Embassy's spokesman, reported in general terms that purpose was to correlate information at meeting last uncovered with that obtained from firm's records in Germany and that Embassy experts would require access to all records including private correspondence in the four specified firms. Olano indicated that he would like copies of reports on findings in files of these firms and that the investigations would be carried on jointly with member of Junta in order to take advantage of the experience of these experts to advise and guide Junta in liquidation procedure.

⁹⁸ Paul J. Wallin, Senior Economic Analyst, in the Embassy, Buenos Aires.

New board members spoke at length of their desire to work closer than ever before with Embassy in liquidation of Axis firms here.

CABOT

800.515/12-2145 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, December 21, 1945—7 p. m.

1824. Ur 3180 Dec 19.⁹⁹ Instr airmailed Dec 17 shd arrive Dec 22.¹ Ur rept to be transmitted by Jan 1 shd contain all evidence discovered of any nature whatsoever concerning subjs outlined in Depts 1763 [1736] Dec 7 not heretofore reported including possible evidence further substantiating Skelton-King charges. Actual facts, supporting documents, and Embs interpretive comment rather than synthesis are needed. Dept of course requires evidence implicating Perón and his adherents in enemy activities or connections. Refs to any previous reports Emb considers especially important or relevant would be helpful.

Date Jan 1 mentioned because Dept expects to begin actual revision at that time. Furthermore Dept did not desire to ask other Embs to deplete their staffs so seriously for longer period or beyond holidays. In view of shortness of time for actual investigation Emb shd now regard Jan 1 report as initial result of examination of files which could fortunately be begun with assistance of officers from other Embs. It is hoped that before Jan 1 Routledge, Downmann, and Kuhlmann² all of whom have left Washington will arrive and be able to carry on with Emb staff when officers on detail must leave. Investigations thus begun shd be continued if possible during entire period beyond Jan 1 while evidence is being organized here and perhaps thereby supplement or complete evidence even during drafting process.

BYRNES

740.35112 RP/12-2845 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, December 28, 1945—3 p. m.

[Received December 28—2:09 p. m.]

3241. Yesterday Olano authorized Embassy investigate records at [Química] Schering, Wayss and Freytag and Siemens group. In conversation with Embassy officer it was felt that Olano is aware of

⁹⁹ Not printed.

¹ No. 7284, p. 495.

² Rodham C. Routledge, Gerald B. Downman, Clarence E. Kuhlman, economic analysts assigned to the Embassy in Buenos Aires.

real purpose investigation and that he had no objections providing that Embassy investigating officers proceed with discretion and minimum fanfare. Other Junta officials and Government delegate-managers in controlled Axis firms continue to offer assistance and cooperation to Embassy investigating group.

CABOT

ATTITUDE OF THE UNITED STATES TOWARD ARGENTINE CENSORSHIP OF THE PRESS AND TREATMENT OF PRESS REPRESENTATIVES

835.918/1-1145

The Chargé in Argentina (Reed) to the Secretary of State

[Extract]

No. 17038

BUENOS AIRES, January 11, 1945.

[Received January 23.]

SIR: I have the honor to comment on the present state of the Argentine press and to emphasize that, Government assurances to the contrary, the press continues to be restricted and real freedom of expression is in fact non-existent. The restrained editorials currently appearing in the important democratic dailies, *La Nación* and *La Prensa*, and the care which these newspapers exercise to avoid publishing anything which might be displeasing to the Government bear out this statement.

In his radio address on Argentine foreign policy last July 26, General Peluffo³ said that newspaper censorship no longer would be applied and that the press was at liberty to print what it wished. Other prominent Government spokesmen have given similar assurances which, like Peluffo's, were clearly designed for consumption abroad where efforts are being made to present Argentina in a favorable light. The fact remains however that the State of Siege, which restricts civil liberties, is still in force and under it the Government is empowered to close a newspaper virtually at will. It is argued by some that there is no censorship since the newspapers are not required to clear their releases through Government agencies. But through a policy of intimidation, with attendant threats of suspension for publishing editorials unfavorable to the present regime, all of the democratic dailies have been pointedly careful to toe the line although as is generally accepted they are strongly opposed to the Perón⁴ group and are anxious to see a return to normal democratic government.

Respectfully yours,

EDWARD L. REED

³ Orlando L. Peluffo, Argentine Minister for Foreign Affairs; for an account of this address, see the *New York Times*, July 27, 1944, p. 10.

⁴ Juan D. Perón, Vice President and Minister of War.

835.918/6-545 : Telegram

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

BUENOS AIRES, June 5, 1945—10 p. m.

[Received June 5—8:21 p. m.]

1162. Arnaldo Cortesi⁵ warned this afternoon by Minister of Interior⁶ that his dispatch to *N.Y. Times* May 31 had caused Govt. great embarrassment, that he should not be surprised at whatever might happen to him, and that Govt. would not tolerate such articles in future.

BRADEN

835.918/6-645

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

No. 109

BUENOS AIRES, June 6, 1945.

[Received June 18.]

SIR: I have the honor to transmit the texts of two dispatches received by the Associated Press dated June 1 and June 2⁷ which were not allowed to be released to local newspapers by the Censorship Division of the Argentine Post Office (Oficina Centralizadora de Control).

Employees of the Post Office are assigned to both the Associated Press and the United Press in the city throughout the hours that wireless messages are received from the United States. They review each incoming dispatch as it is received and immediately report any passage or detail which they consider unfavorable to the Argentine Government. Certain passages are ordered deleted almost every day, and a number of complete dispatches have been held up each week, for months past. The order is usually received from the Post Office by telephone, only a few minutes after the dispatch has been received. In cases of unusual importance the newspapers are notified separately that they must not print a certain item, if it should be received. This order is usually given by telephone also.

Both the A.P. and the U.P. state that they were bothered less frequently by such "censorship" during the week or ten days following Ambassador Warren's visit,⁸ but that the situation is worse now than at any previous time.

Respectfully yours,

For the Ambassador:

EDWARD L. REED

Counselor of Embassy

⁵ Correspondent for the *New York Times*.

⁶ Rear Adm. Alberto Teisaire.

⁷ Neither printed.

⁸ For information on Avra M. Warren's visit to Buenos Aires, see circular telegram of April 23, 3 p. m., to diplomatic representatives in certain American Republics, p. 378. Mr. Warren was Chairman of the State-War-Navy Subcommittee on Latin America.

835.918/6-745 : Telegram

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

BUENOS AIRES, June 7, 1945.

[Received 12:12 p. m.]

1174. Decree issued yesterday, first annuls suspensions of all newspapers and magazines, second reserves Government's right to limit liberty of press for reasons of security, third prevents future suspensions except by special decree or for reasons of public order, fourth liberates all newspapermen arrested under emergency provisions of state of siege excepting those facing trial.

Nevertheless *Daily Tribuna* of Rosario was suspended indefinitely yesterday.

BRADEN

835.918/6-1345 : Telegram

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

BUENOS AIRES, June 13, 1945.

[Received June 14—3:40 a. m.]

1236. Following is my statement today to American press representatives and correspondents:

I am happy to inform you that Dr. Oscar Lomuto, Undersecretary of Information ad interim of the Ministry of Interior, visited me today at 12:30 on instructions from and in representation of His Excellency the Vice President of the Republic, Colonel Juan D. Perón, and stated to me in most categorical terms that the Argentine Government is irrevocably dedicated to complete freedom of the press and is absolutely opposed to any obstacles being placed in the way thereof. Dr. Lomuto requested that I summon all American press associations and correspondents in Argentina and inform them that they will henceforth have complete freedom for the transmission and receipt of all news despatches. He moreover requested that if they encounter the slightest hindrance or delay in the transmission of their despatches they inform the Secretariat of Information and this Embassy thereof in order that immediate remedial measures may be taken by the Government, and that those responsible therefor be punished.

The Embassy and I personally will of course be glad at all times to cooperate with both the Argentine authorities and the American press associations and correspondents in these particulars.

BRADEN

835.918/6-2045: Telegram

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

BUENOS AIRES, June 20, 1945.

[Received 2:56 p. m.]

1295. Entirely approve suggestion Department's 729, 19th.⁹ My query to Lomuto was "while recently there has not been active censorship of *Time* magazine, from previous experiences they have learned that none of their copies printed in Argentina will be permitted to go through the mail if they contain any critical comment on situation here, accordingly they have blanked out articles on Argentina as in case of last two issues (there have been many previous instances). This in effect is censorship and therefore pursuant to your statement to me will *Time* henceforth, irrespective of how critical the article may be, enjoy full liberty of press? Will it go through mails without slightest hindrance or delay and may I so inform *Time's* representative?" To this Lomuto replied in most positive terms there would be no hindrance or delay in post office or otherwise irrespective of articles it might contain.

BRADEN

711.35/6-3045: Telegram

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

BUENOS AIRES, June 30, 1945—11 p. m.

[Received July 1—9:40 a. m.]

1387. Pursuant to his request I called on Vice President today. While courteous he was unusually serious, not gushing as in previous meetings. Most important points of hour and three-quarters' conversation can be summarized as follows:

Perón began with confused dissertation regarding existing "dangerous movement and movements" which in reply to my request for clarification of what he meant, he said, "I will not tolerate activities of the economic interests, students, and all others who are trying to disturb situation internally and externally. I have the Army with me to a man and more than 4,000,000 laborers who recognize me as their leader and sole benefactor. If these groups try anything we will fight in the streets and blood will flow."

Observing that this was interesting I asked what did it have to do with us. Perón replied that the U.S. press and its correspondents here were "full participants in the movement and paid by the economic interests." I emphatically repudiated any such thought insisting that aside from reporting factually neither our press nor the correspondents

⁹ Not printed.

had anything to do with internal problems of this country. Perón ignoring my statement expanded further on this idea stating that, "the friendly relations resulting from the visit of the Warren Mission have deteriorated and may worsen. In fact anti-U.S. sentiment is now building up." He went on to say that he had already prevented two labor unions from publishing an attack on us and said, "I could easily with Govt. funds put out a half dozen newspapers selling for 5 cents which would attack the U.S. Don't forget that 'Yankee imperialism' and 'sovereignty' are still catch words which will rally all the people around us." I expressed utter astonishment at this assertion; he said "of course I won't do it."

He vaguely tried to intimate that stories were current that I had directed recent attacks on Govt. by economic interests but in face of my rejoinder quickly abandoned this tangent and agreed that not even remotely had there been any intervention by me. Perón then violently attacked U.S. press representatives in Buenos Aires especially Cortesi calling them "liars and troublemakers making for bad relations with the U.S. as their despatches are telegraphed back here. So enraged are the people by these attacks that in their fanatical adoration for me they are entirely capable of murdering Cortesi or anyone who they think stands in my way. There is nothing I can do to restrain them." So clear was his implication that I replied, "It does not matter whether I, Cortesi, or any other individual is murdered, the all-important thing is to stand on our principles." He made no comment.

I went on to insist that I had found all press despatches factual and reiterated my grave concern at developments since Cortesi had received several threats, including two through responsible informants that a group of Army officers at Campo de Mayo in meeting presided over by Colonel Rosas (known to the Mil. Attaché but Perón denied his existence) had threatened to attack (actually they spoke of murder) Cortesi either by hired professionals or non-commissioned officers in civilian attire. I said these threats might be summarily dismissed were it not for three considerations:

(a) Minister of Interior Admiral Teisaire on June 5th threatened Cortesi saying latter "should not be surprised at whatever might happen to him." This threat was reported by Cortesi in article published in the *New York Times* which was republished widely in Buenos Aires. Not only did Min. of Interior fail to deny the quotation of his statement but Lomuto during visit to me on June 13th when I inquired whether exception had been taken to this particular article, replied, "On the contrary, Admiral Teisaire was delighted with it.[""] It is therefore apparent that first threat made against Cortesi was by Teisaire and this has become public knowledge.

(b) That there are those willing to make such attacks is evidenced by American author Waldo Frank, having been attacked in this city

in October 1942, immediately following public declaration by Argentine Govt. that he was *persona non grata* in this country. Moreover, Frank Breese, U.P. correspondent, was similarly attacked a few months later.

(c) Perón's own unprecedented denunciation of *Herald Tribune* correspondent, Newman, could reasonably be expected to encourage some of these fanatics to feel they could with impunity perpetrate an attack on foreign press correspondents such as Messrs. Cortesi and Newman.

I added that, "Beyond my fundamental obligation to protect lives of U.S. citizens and interests of responsible American enterprises such as *New York Times*, the aforescribed sequence of events creates a dangerous situation so if, were anything whatsoever now to happen to Cortesi—even an otherwise perfectly explicable accident—public opinion in U.S. and elsewhere would of course immediately link it to Teisaire's original threat and subsequent ones which have been made. Such a development would have serious repercussions on friendly relations between Argentina and U.S."

I expressed my disgust and disbelief at his assertion that Cortesi and other correspondents' lives were endangered. After considerable discussion Perón admitted that he knew who were the fanatics and would keep them under observation to safeguard Cortesi. But he "could not guarantee that some fanatic from the country would not kill Cortesi and then commit suicide." He suggested putting Cortesi under protective custody. I observed this would have only slightly less bad effect than murder. He then suggested that we induce *New York Times* to remove Cortesi and that Teisaire's threat might have meant merely to throw Cortesi out of country. I observed Teisaire had had ample opportunity to clarify his thoughts and we could not even intimate to *Times* that Cortesi be removed, unless latter's statements were proved untrue.

. . . I insisted his statement was contrary to Chapultepec Act¹⁰ but as I had said in first interview I mentioned these subjects as a friend because of their effect on public opinion throughout hemisphere. He then stated that all prisoners had been released excepting Communists many of whom had shot policemen and if these were released I would soon read of corpses found in ditches in suburbs. Moreover, he was holding Communists until he completed arrangements now underway to get together with their party (mumbling something about relations with Russia) since they would deal with anyone and with their and labor's support he would teach economic interests a lesson.

¹⁰ Resolution VIII of the Inter-American Conference on Problems of War and Peace is known as the Act of Chapultepec; for text, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 40. For documentation on participation of the United States in this Conference, see pp. 1 ff.

Perón claimed that Argentina had done more in less time to control Nazis than any other American Republic (*sic*). When I objected and pressed for further action he referred me to Ministry of Foreign Affairs which he said had resented his interference in this field.

I repeatedly asked what solution he had to suggest. He could only suggest we control our press which I emphasized was impossible. I concluded interview by saying several times I saw no solution to the problem. He finally suggested we think it over and I again repeated that while willing to think it over I still saw no solution.

BRADEN

711.35/6-3045: Telegram

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

BUENOS AIRES, June 30, 1945—midnight.

[Received July 1—6:50 a. m.]

1388. Perón's astonishing outburst reported in mytel 1387, June 30, 11 p. m. confirms he is dangerous, . . . Accordingly, and in light of threats they have already rec'd. I have informed Cortesi and other correspondents of pertinent parts of today's conversation telling them I was reporting fully to Dept. and requesting instructions. One of them suggested correspondents move to Montevideo but others wished to continue here. I said I could if they wished give them refuge in Embassy and pending receipt of contrary instructions from Dept. if they so desired would transmit their dispatches, advising separately by code for what paper intended then through omission of by-line they would be protected.

I consider continuance of such freedom of press for our correspondents as has resulted from my talk with Lomuto fundamental issue and their courageous reporting has been of utmost utility in weakening position of Perón . . . dictatorship. However, so long as Perón dominates Army it is difficult to see what Argentine public (majority of which I am convinced hate this regime) can do.

At least in part Perón's statements today may be attributed to fact that for first time he realizes from the advances we have made in pressing in on freedom of press, release of political prisoners, and control of Nazis that this process if continued will force compliance all along the line of Chapultepec Act and place him in untenable position leading to his downfall. On my arrival he began by feigning willingness to meet obligations, now he is attempting impress us with strength of his position and threatened use it against us; next, he may try to convert threats into actions.

Self-evidently, retirement again of Ambassadors¹¹ would make us look silly and would be ineffectual but we can not accept Perón's statements without strong protest. Therefore I recommend that Dept. read riot act to Argentine Ambassador¹² and I be instructed specifically and in detail to make similar protest here.

While I wish to give further thought to some public statement this is so delicate and dangerous that we should not act until absolutely sure of our ground.

BRADEN

711.35/7-145 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, July 1, 1945—1 p. m.

792. Urgent attention will be given by staff committee, Secretary and President tomorrow to situation subject urtel 1387, 1388 and 1389 of June 30¹³ and instructions sent soon as possible.

Meanwhile you are authorized to give immediate refuge to any American correspondents in anticipation of possible personal attacks on them if you think violence likely to follow threats expressed by Perón.

Among other actions that might be taken, Department will consider extent to which other American governments should be consulted in order to bring about joint representations to urge strongly Argentine compliance with inter-American commitments. Department particularly concurs last paragraph your 1388 and hopes no immediate crisis will prevent the careful study you advocate.

GREW

711.35/7-245 : Telegram

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

BUENOS AIRES, July 2, 1945—7 p. m.

[Received 10:35 p. m.]

1399. Embassy again this morning received telephone call from man alleging himself to be Captain Moretti, Sec. of the Minister of War, with following message:

"Situation is very serious and we are not disposed to permit that any journalist confuse the situation. This is not an official message but comes from one who could order it."

¹¹ For documentation relating to this matter, see *Foreign Relations*, 1944, vol. VII, pp. 252 ff., *passim*.

¹² Oscar Ibarra García.

¹³ Telegram 1389 not printed.

Approximately 10 minutes before, Newman of *Tribune* received threatening telephone call in same vein as that received by Arnaldo Cortesi on June 27, also allegedly from Moretti, who denies having made these calls.

ReEmbtel 1387, June 30, 11 p. m. Under these circumstances and having in mind Perón's threats, Newman has elected to reside at Embassy residence until situation clears. Cortesi is taking other precautions including staying at friend's house instead of own apt. I have informed Brit., Colombian, Mexican, and Cuban Ambassadors of sense of my telegrams 1387 and 1388. They all agree that progress we have made in respect of freedom of press, release of political prisoners and control of Nazis is forcing Perón into a corner, that in his insane ambition he will fight like a cornered wild animal and is capable of anything (repeat anything). All regard situation as extremely grave, but these Latin colleagues are emphatically in agreement with last paragraph of my 1388.

BRADEN

711.35/6-3045 : Telegram

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

WASHINGTON, July 3, 1945—7 p. m.

802. Matter referred to in your 1387, 1388, 1389, June 30,¹⁵ has been fully discussed here. You are instructed to call on Colonel Perón and to state that this Government takes a very grave view of the implications in Colonel Perón's statement that the lives of American citizens and representatives of reputable American newspapers are in danger and that they cannot be protected by the Argentine Government; that this Government expects the Argentine Government to give categorical assurances that they will take all requisite measures to guard the safety of the American correspondents in the same way in which the lives of Argentine citizens are protected in this country and that the nature of Colonel Perón's statements and the grave view taken with respect to them are being brought to the attention of the Argentine Ambassador in Washington. You are also authorized to grant refuge to any American correspondent in anticipation of possible attack upon him. Messages of American correspondents should not be transmitted by the Embassy without prior discussion with the Department. Please keep the Department informed of the situation as regards interference by censorship or otherwise with the transmission of news dispatches by American correspondents in Argentina. You should consult closely with the British Ambassador.

¹⁵ Telegram 1389 not printed.

We assume you advised the correspondents of the pertinent features of your interview with Colonel Perón in confidence and would appreciate your confirmation of this. We also advised New York offices of *New York Times* and *Herald Tribune* in confidence. You may inform their representatives.

For your information, in addition to presenting this matter to the Argentine Ambassador here, we expect to discuss it informally with the Foreign Ministers of Brazil and Mexico ¹⁶ who are presently in Washington.

BYRNES

711.35/7-545 : Telegram

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

BUENOS AIRES, July 5, 1945—11 p. m.

[Received July 6—6 a. m.]

1445. In 1-hour conversation with Perón today he at first took stand that Govt. could no more be responsible for any fanatical attack on American journalists than it could were latter to get pneumonia. He repeated his Govt.'s inability to give assurance against an attack being made by a fanatic from the provinces. After I continued to press for categorical assurances that Argentine Govt. would safeguard American correspondents he alleged that this had been done by public statement reported in Embtel 1406, July 3 ¹⁷ and by his having asked labor unions to restrain their animus against these correspondents. In strongest terms I urged a public declaration by Govt. guaranteeing American correspondents' safety, observing that such was Argentine patriotism that if this statement could also declare that it was a question either of the Govt.'s or Perón's honor, then even the fanatics would refrain from violence. He refused to do either. Finally he authorized me to state to Dept. and to inform local American correspondents that "every guarantee will be given by Govt. and no greater guarantees will be enjoyed by correspondents in any other country; moreover should they also desire police protection we will assign escorts to them."

Perón said that yesterday he had summoned editors of principal newspapers to tell them they should not publish despatches sent to the U.S. by American correspondents and retransmitted to Buenos Aires because the publication thereof was creating very bad state of

¹⁶ Pedro Leão Velloso and Ezequiel Padilla, respectively.

¹⁷ Not printed; statement referred to, which was issued by the Argentine Under Secretariat of Information, indicated ignorance of any threats and stressed reliance on Argentina's "traditional hospitality" and independent judiciary as offering guarantees of protection (811.91235/7-345).

affairs and was prejudicing friendly relations between the U.S. and Argentina. (Reliable journalists present at interview confirm to Embassy editors were told not to republish articles by Buenos Aires correspondents from American papers. Informant further quoted Perón as saying: papers must also avoid editorial comment on those despatches published in U.S. Govt. did not desire to reestablish press censorship because it was repugnant but in case of necessity it would be obliged to do so. Perón said he is daily visited by Army officers and laborers requesting Govt. intervention to stop American journalists. Govt. desires to avoid disagreeable occurrences because of those reckless fellows Cortesi and Newman, whose actions form part of capital's campaign against Administration. Govt. is determined to stop those two correspondents from disturbing international relations by their campaign of deceit and would go so far as to apply "law of residence" to both of them; i.e., they would be declared undesirable and forced to leave country.)

Perón observed at one point that he was not worried by publication in U.S. of American correspondents' despatches but only when repeated here. Irrespective of whether he is sincere in his statement it would seem that shutting off their articles here (none appeared in press today and Cue's Santiago interview¹⁸ was suppressed although transmitted by A.P. and U.P.) probably made him more amenable to authorizing me to make a statement quoted at end paragraph 1 above to Dept. and correspondents.

Referring to our last conversation, I underscored my concern because certain 5 centavos' newspapers were now appearing on streets implicitly attacking me and inferring that our correspondents were writing under instructions of Embassy. I reemphasized that neither my Govt. nor this Emb. had any control whatsoever over the writing of these correspondents and in point of fact we did not know what they were writing until we read it in press. I said since he had admitted an ability to control Argentine press I trusted he could stop distortions in these aforementioned sheets. He alleged that actually these were opposition papers and that since there was complete freedom of press here he could exercise no control (*sic*). (Our info. is that these sheets actually are subsidized by the Govt.)

Interspersed throughout conversation were Perón's repeated statements that relations had been very bad between our two countries but everything had cleared and high point of good relations had been reached during visit of Ambassador Warren and Gen. Brett,¹⁹ when

¹⁸ Pedro Cue, Editor of *El Mundo* of Havana, who reportedly voiced his opinion, at an interview held in Santiago, Chile, that Perón's Government was anti-democratic.

¹⁹ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

there had been complete meeting of minds and entire cooperation in every way; now relations had gone back 20 kilometers, were steadily worsening, and he did not know reason excepting as he attributed it to our press correspondents, to statements by Pres. Truman,²⁰ Secretaries Stettinius²¹ and Clayton,²² and Foreign Minister Padilla, who everyone assumed in speaking from Washington was acting under pressure of U.S. I pointed out the President's, Stettinius', and Clayton's statements had been factual and made precisely in order to clarify the atmosphere and make for friendly relations. I repudiated the inference in respect of Padilla . . .

Perón endeavored to distort some of my speeches as in nature of interference in internal affairs and as giving basis for charge I was dominating Argentine Govt. Despite his unwillingness to listen I insisted on reviewing my speeches as proof that facts were directly contrary to his assertion.

Perón added that some of other American Republics' Ambassadors likewise thought that I was intervening. As matter of fact each one of colleagues with whom I have talked has emphatically declared exactly reverse. However, it is possible that to gain kudos with him someone may have made such a statement. On other hand, he has lied so persistently in conversations with me that I am disposed to think he is doing so in this instance.

When he said his conversations with me including this one were "purely personal and not official," I inquired whether I should obtain from FonOff official statement of guarantee given by him as quoted in paragraph 1 above. He replied this was unnecessary since he was speaking for the Govt. Among his other interesting assertions was one "I am best informed man in country because whatever is said in streets, busses, restaurants, clubs, or elsewhere is immediately reported back to me within a question of minutes, not because employees in those places are spies but because of their dedication to me."

He had had to restrain workers of all telecommunication companies in their desire to paralyze every communication means within country and even to exterior if necessary by breaking apparati (*sic*).

When in rejoinder to his assertion of mounting hostility toward me throughout Argentina, I expressed astonishment and commented on many demonstrations to contrary such as applause received when my

²⁰ Reference is presumably made to presidential letter sent to Wilbur Forrest, of the *New York Herald Tribune*; for text, see Department of State *Bulletin*, June 24, 1945, p. 1144.

²¹ See the Secretary's report on the United Nations Conference held at San Francisco, *ibid.*, June 3, 1945, p. 1007.

²² For text of Assistant Secretary Clayton's statement on renewal of the Trade Agreements Act, made before the Senate Finance Committee, see *ibid.*, June 3, 1945, p. 1024.

presence was discovered in a popular restaurant and unprecedented marked applause when American Ambassador appears in local news-reels. (Neither my staff, my friends and informants, or others have any doubt about general popular regard for me.) To this Perón replied, "you must not count on that. I too receive great applause wherever I go and yet I know that there are others who would like to beat me. You must realize that our people are two-faced. I have learned from experience in Govt. that there are only three or four people on whose loyalty I can count." I of course expressed my astonishment at any such accusation against Argentine people.

Perón commented on "very bad effects" of my announcement to "American and local correspondents" of removal of censorship. I of course pointed out that I had made my statement exclusively to American correspondents and had done so at Lomuto's specific request. There ensued an attempt by him to give different version of my conversation with Lomuto. I therefore repeated it verbatim saying I could give him my word it was as stated by me. He observed that Lomuto was a fool and would be punished.

He implied I should make no speeches or statements whatsoever since they might be interpreted as attacks on Govt. Of course there is a measure of truth in this since any reference to democracy, liberty, Four Freedoms, Atlantic Charter, or any of rights . . . for which we stand is inferentially criticism of this Govt. . . . However I limited my reply to saying necessarily an Ambassador here is called upon frequently to make addresses and statements but that I would defy anyone in the past, present, or future to find anything in what I had said which could be remotely interpreted as unfriendly to Argentina.

Throughout Perón's entire conversation there was repeated in greater or lesser degree menace that we must dance to his tune or suffer reprisals.

My net impression of conversation is that our correspondents will have security although in fit of temper Perón is capable of taking revenge for any article which stings him too sharply. Otherwise he has bit in teeth, is determined to go his way and will fight like cornered wild animal as he further realizes that we intend firmly to press for compliance with Chapultepec commitments. He has no conception of democratic system and his Fascist mentality is further evidenced by fact, as he reiterated several times in our last interview, he genuinely feels he "has reason" on his side.

In view of these assurances Newman left Embassy residence today.

BRADEN

811.91235/7-745 : Telegram

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

BUENOS AIRES, July 7, 1945—2 p. m.

[Received 2:58 p. m.]

1467. ReEmtel 1459, July 6, 8 p. m.²⁴ James Miller U.P. Vice President tells me U.P. will continue distributing despatches including Newman and Cortesi summaries to clients excepting *La Prensa* which requests U.P. to withhold them. Gainza Paz²⁵ according to Miller is genuinely frightened by Perón and does not dare print anything critical of Govt.

Neither Cortesi nor Newman despatches appeared in any paper today although several have been distributed by agencies.

In view of A.P. and U.P. stands, Govt. may reimpose censorship on news distribution by press agencies or take other measures.

To extent adherence to democratic principles in Chapultepec Act implies freedom of press, it is evident that Govt. is rapidly building up noncompliance case against itself.

BRADEN

811.91235/7-1145

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

No. 295

BUENOS AIRES, July 11, 1945.

[Received July 19.]

SIR: I have the honor to report that on July 2 the Secretariat of Press and Information distributed a leaflet to the local press in which American correspondents in Argentina were attacked in violent terms.

According to information received . . . the Secretariat of Press and Information used to distribute regularly, until 6 months ago, leaflets containing propaganda material to the most important Argentine newspapers. Newspaper editors were requested by the Government to publish this material with any superficial modifications that they might consider necessary, and in such a manner that the reader would not be aware that these articles did not represent a true expression of the newspaper's own point of view. High reasons of patriotism were invoked, and principally the duty of every Argentine citizen to assist the Government in its endeavor to extricate Argentina from the difficult position in which she was prior to our and the other American Republics' recognition. These reasons were accepted as valid and practically all important newspapers carried, in slightly altered form, the items furnished them by the Secretariat.

²⁴ Not printed.

²⁵ Alberto Gainza Paz, editor of *La Prensa*.

After a 6 months lapse, the Secretariat apparently decided to re-establish the above described practice. At noon on July 2, Señor . . . received a leaflet from the Secretariat attacking American correspondents in Argentina. Señor . . . was urged several times by telephone by officers of the Secretariat to publish the contents of the leaflet. On the evening of that date, he was again asked if he was willing to publish it and the next morning he received an ultimatum to the effect that if he persisted in his attitude, his newspaper would be expropriated by the Government. Similar threats were also made to Señor . . . by Oscar Lomuto, Chief of the Press and Information Secretariat, and by the Minister of Interior, Rear Admiral Teisaire. However, Señor . . . persevered in his refusal to comply with the Government's order.

The contents of the leaflet were not carried by either *Crítica* or by any important Buenos Aires newspaper. However, the leaflet may have been used by some of the Government's subsidized tabloids.

The Embassy obtained a copy of the leaflet through Mr. Mooney, correspondent for *Time* and *Life* magazines in Buenos Aires. Whether the information submitted by Señor . . . is authentic or not, the fact still remains that the leaflet is couched in a language similar to that previously used by the Press Secretariat in its handbills and notes to the press. American correspondents are presented (a) as naïve and ignorant gringos ready to gulp down any stuff that is fed them by smart and malicious *criollos*; (b) as rat-pickers or guttersnipes; and (c) as irresponsible journalists who deliberately report "monstrously grotesque" facts which never took place except in their own imagination.

It is interesting to relate this note to the statement Colonel Perón made to me on June 30 (reference my telegram No. 1387, June 30, 11 p. m.) that he could, if he wished to do so, initiate at any moment a campaign of defamation against the United States in several Buenos Aires newspapers. Despite Perón's assurance that he would not do it, this leaflet may be taken as the first evidence of his intended campaign. Once again he failed to keep his word. It remains to be seen whether he will attempt to carry out an anti-United States campaign on a really large scale.

Respectfully yours,

SPRUILLE BRADEN

811.91235/7-1545 : Telegram

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

Buenos Aires, July 15, 1945.

[Received 9 p. m.]

1533. On July 13 John Nasht, *Newsweek* correspondent, cabled report containing some incorrect though unimportant information on

Argentina. At 7 p. m. July 14, policemen Arbutti and González Cane and delegate of Press and Information Secretariat Juan S. Mollard visited Nasht at his hotel to inform him that they were under instructions to obtain by persuasion or by force a written retraction from him. They endeavored to inveigle him into a taxi but finally after his repeated refusal they requested him to go with them to Ministry of Interior. This he refused to do. When exercising his rights as an American citizen Nasht attempted to notify the Embassy by telephone, the policemen made it clear that until he signed statement he would not be allowed to communicate with anybody whatsoever nor to leave the country. A bystander overhearing this conversation unbeknownst to three officials got Embassy on phone. When call came through and receiver was handed to Nasht Secretariat delegate snatched it from his hands and hung up. Feeling that any further resistance was futile Nasht signed statement. Nasht left for Rio this morning's plane.

BRADEN

811.91235/7-1945 : Telegram

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

BUENOS AIRES, July 19, 1945—11 p. m.

[Received July 20—3:10 a. m.]

1593. This morning pursuant to Dept's telegram 909, July 17, 4 p. m.,²⁶ I presented note of protest on Nasht case.²⁷ Minister²⁸ after reading it said "You know I am totally opposed to this type of thing. Aside from fact that it is contrary to freedom of press it does no good whatsoever. I shall of course take it up with my Govt. and reply to you." I expressed agreement with Minister observing that this coupled with admonitions to Associated Press and United Press not to transmit to Argentina or distribute locally articles printed in American press in a slightest degree critical of Argentina plus accounts given me by directors of several newspapers here of pressure put upon them not to publish such articles made evident that freedom of press did not exist. I added that beyond points he mentioned such incidents made establishment of cordial relations even more difficult because as I had several times remarked to him and other Argentine authorities we could do nothing so long as adverse public opinion continued in U.S. I observed moreover that restrictions on freedom of press gave rise to rumors which were false and much more injurious than any truths that might be published and I drew comparison with situation which had existed in respect of Falangist Spain.

²⁶ Not printed.

²⁷ See *New York Times*, July 20, 1945, p. 9.

²⁸ Minister for Foreign Relations, César Ameghino.

I also said I had read Secretariat of Information and Press statement in morning papers giving a different version of Nasht incident but said the Minister of course must realize that we had thoroughly checked facts before presenting my note and that as matter of fact the implications of the Secretariat's statement that "Nasht had been invited to remain in Buenos Aires to document himself" would be lost on no one.

The Minister in response to all of my remarks expressed his agreement and seemed to be sincerely annoyed by incident.

BRADEN

835.918/9-2945 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, September 29, 1945—8 p. m.

[Received 8:38 p. m.]

2364. In view of increasing reports of censorship imposed on American newspapermen in this Capital, particularly refusal today of radio authorities to permit a factual radio broadcast by Newman, *Herald Tribune* correspondent, despite informal representations, I propose on Monday morning to deliver a formal protest to FonOff on basis of Resolution XXVII of Mexico Conference²⁹ unless I have before then been instructed to contrary.

CABOT

811.91235/10-345 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 3, 1945—7 p. m.

[Received October 3—6:16 p. m.]

2404. I called on Foreign Minister³⁰ at 5 o'clock today to deliver formal note of protest regarding censorship of American news agencies and correspondents. (Text by pouch Friday.³¹) I had delayed making protest partly because earlier cases on investigation were not as good as they at first seemed and partly because I was continuing informal representations regarding Newman case. Today latter failed and further flagrant case arose when agencies received telegraphic

²⁹ This Resolution recommended that the American Republics (1) guarantee to their people free and impartial access to sources of information; (2) undertake the earliest possible abandonment of censorship measures; and (3) take steps to promote the free exchange of information among their peoples. For text, see *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945*, p. 69.

³⁰ Juan Cooke.

³¹ Despatch 974, October 3, not printed.

instructions from Subsecretariat of Information not to send out any news regarding students' activities or distribute any press comment from the U.S.

After I had explained this and one or two other small matters to the Foreign Minister, he spoke of press items just received about postponement of Rio Conference.³² I said that I had no official reports but that I had heard of this through press reports just before leaving Embassy. He produced report quoting Acting Secretary as saying that "Argentina had totally repudiated its obligations under Act of Chapultepec."³³ I said that I, of course, could not tell him what the Acting Secretary had actually said until I had the official text. He spoke with regret and some irritation that a statement of this nature should have been issued at [of?] all times when he was Foreign Minister trying to fulfill Argentine commitments rather than when someone else was Foreign Minister. I reminded him that I had told him on Thursday of deplorable reaction in U.S. to recent Argentine measures and said that my Government obviously could not go to Rio Conference with public opinion in its present state. He said that we should not think that because freedom of press was possible in U.S. due to civic sense of people it was equally possible in Argentina.

Conversation was of course somewhat strained but never became heated.

CABOT

835.918/10-445 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 4, 1945—7 p. m.

1398. From Braden. Have just been informed by *Time* Magazine that while sales on newsstands in Buenos Aires of October 1st issue have been permitted, distribution through post office (which constitutes major portion of circulation) has been stopped by Government.

This is in direct violation of Mexico City obligations and of agreement Lomuto made with me on approximately June 13.³⁴

Please protest this further violation. [Braden.]

ACHESON

³² Scheduled to meet on October 20, 1945, to negotiate agreements concerning military assistance pursuant to the Mexico City resolutions.

³³ This quotation, which is substantially correct, appears in the off-the-record portion of Acting Secretary Acheson's press conference of October 3, 1945.

³⁴ See telegram 1236, June 13, from Buenos Aires, p. 507.

835.00/10-945

The Chargé in Argentina (Cabot) to the Secretary of State

No. 1019

BUENOS AIRES, October 9, 1945.

[Received October 20.]

SIR: With reference to despatch No. 997 of October 6, 1945³⁵ entitled "Two Additional Cases of Censorship", I have the honor to report that on October 5 at approximately 1:30 p. m. the United Press was ordered by telephone from the Subsecretariat of Information to send no news dispatch abroad regarding the action of the Supreme Court in reinstating Judge Rodolfo Barraco Marmol of the Federal Court of Córdoba to his post and freeing him from the penitentiary following his dismissal and arrest by executive decree as a consequence of his issuing a writ of habeas corpus freeing six university professors from police detention (as reported in telegram No. 2450 of October 6, 2 p. m.³⁵). The Supreme Court's action was taken at about 5 p. m. on October 5 but apparently the Subsecretariat had been warned in advance.

The United Press cabled the news item in full soon afterwards to the United States, in defiance of this order, through All America Cables and Radio, Inc.

The Associated Press received no such order. It reported the incident by cable through the All America Cables and Radio, Inc.

Both Associated Press and United Press were ordered not to transmit the news to their Argentine clients. They did transmit the news, together with the order of censorship. No paper is known to have published the item.

I have protested strongly regarding this to the Foreign Office.

Respectfully yours,

JOHN M. CABOT

835.918/10-2445: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 24, 1945.

[Received 2:52 p. m.]

2639. Yesterday *Time Magazine* and *La Vanguardia* refused by Post Office. I complained about former to Foreign Office.

CABOT

³⁵ Not printed.

835.918/10-2445: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 24, 1945—9 p. m.

[Received October 25—1: 03 a. m.]

2649. ReEmbtel 2639 October 24. Have just been informed by Foreign Office that last issue of *Time* will not be released view of fact it even goes into "private lives" and is "almost immoral". I inquired acidly whether this meant that Lomuto's assurances were no longer valid; answer was substantially in affirmative. Official made it clear that he was speaking for Foreign Minister. Would appreciate instructions.³⁶

CABOT

835.918/10-2645: Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 26, 1945—10 p. m.

[Received October 26—9: 40 p. m.]

2681. Re Embassy's telegram 2649, October 24, 9 p. m. In conversation with Foreign Minister this afternoon he mentioned action of postal authorities in not permitting last issue of *Time* to circulate. He pointed out that comments re Perón's relations with Evita Duarte³⁷ were not fit for publication and that there were inaccuracies in *Time*'s statements. Considering that Foreign Minister's statements are substantially true, that Embassy on repeated occasions has made it clear that it did not feel that Mexico City Resolution XXVII applied to offensive or inexact news items and that *Time* is printed in Argentina for distribution within country, I feel that we should point out above-mentioned Embassy policy to *Time* rather than weaken our entire case regarding censorship by pursuing this individual case.

Foreign Minister then mentioned cables which had been held up and referred to what he called inaccurate statements in them. I pointed out very firmly that the statements of which he complained were those of Secretary of *Unión Cívica Radical* and of a prominent labor union and that I considered them entirely legitimate news. Foreign Minister acquiesced. As already reported, messages have gone by other routes.

CABOT

³⁶ In instruction 7166, November 9, 1945, the Chargé was informed that no official protest need be made (835.918/11-245).

³⁷ Who later became his wife.

835.731/10-3145

The Chargé in Argentina (Cabot) to the Secretary of State

No. 1213

BUENOS AIRES, October 31, 1945.

[Received November 9.]

SIR: With reference to despatch No. 1126 of October 22, file No. 891, entitled "Termination of Cable Censorship",³⁸ I have the honor to report two situations which have developed recently in the cable companies which constitute a continuation of Government censorship.

An authorized inspector of the Argentine Post Office has been making periodical calls ever since October 15 at both cable companies in order to read copies of all outgoing messages, except for coded messages from the American Embassy. At the Western Cable Company the inspector calls at 7 a. m. every day and at All America Cables and Radio, Inc. every second or third day at varying hours.

The manager and the representative, respectively, of the two companies state that this inspection commenced years ago and was interrupted only during the recent period of censorship, the termination of which was reported in the despatch of above reference. The chief purpose of this inspection is to ascertain whether the various rates of charge are being enforced. At the same time, obviously, the inspector is able to read all press dispatches. For years past each cable and wireless company had been paying 800 pesos per month to defray these costs, but recently they have been paying three-quarters of one percent of the gross income, in quarterly periods. The American company decided to discontinue these payments at the beginning of the last quarter, on October 1, at which time it filed a written protest, drafted by legal advisors. The British company made no such protest. Mr. J. Y. Cowie, manager of the Western Cable Company, provides the inspector with a desk and typewriter. Mr. A. H. Annand, representative of All America Cables and Radio, Inc. gives him no conveniences.

On October 19 the Post Office refused to accept several messages which had been filed by American press correspondents with Press Wireless. Perhaps as a consequence of having reviewed these press dispatches, which were certainly harmful to the prestige of the Argentine Government, insofar as they reported certain recent acts of the Government which were definitely fascistic in nature, the Post Office summoned the responsible officers of all communication companies to a special meeting at noon on October 20. The officers were reminded of the provisions of Article 30 of the Cable Act of 1875 and told that they would be held responsible for its enforcement. They were also ordered

³⁸ Not printed.

to submit Spanish translations of all press dispatches. This meeting was clearly an act of intimidation.

On October 24 All America Cables and Radio, Inc. received a telephone call from the Post Office requesting these Spanish translations, which they had not yet sent. Although translations had been required under decree No. 132,935 of October 8, 1942 the provisions of which had been incorporated into decree No. 137,500 of December 2, 1942, they were discontinued on October 15, 1945, when the above mentioned decrees were annulled by decree No. 24,958 of October 10, 1945, as reported in reference mentioned in the first paragraph above. All America Cables complied with the request of October 24 by sending translations of five or six press dispatches, within the following few days, but none since then. The Western Cable Company, it is believed, submits them daily.

It has been learned that both of the cable companies send copies of all press dispatches which they fear might be considered inconsistent with the cable law, for revision by the Post Office. In almost every such case the Post Office advises that the dispatch is "inconvenient" and it is therefore censored.

The Embassy has pointed out to the All America Cables and Radio, Inc. that if the latter submits to any inconvenience or demand which is not required by law, for example, the submission of Spanish translations of press dispatches, the Embassy can do nothing about it, whereas it would be prepared to back the Company if the latter refuses to submit to unlawful demands.

Respectfully yours,

JOHN M. CABOT

POLICY OF THE UNITED STATES CONCERNING TRADE AND
SHIPPING WITH ARGENTINA³⁹

740.00112 E.W./2-345: Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, February 3, 1945—11 a. m.

141. For the Embassy Only. The Department has given careful consideration to the Embassy's reports and interpretation of economic arrangements adopted by this Government in its relation to the Argentine. Consideration has been given likewise to reports from the American Embassy London describing the relationship of British trade and plans to the economics of our Argentine policy. As a result the following paper describing a modification in economic policy toward Argentina has been fully approved in the Department and by the President.

³⁹ Continued from *Foreign Relations*, 1944, vol. VII, pp. 409-426.

“Introduction Any effective economic policy of the United States toward Argentina should be designed to achieve two primary objectives:

1. Full and complete support of the war effort.
2. Effective implementation of our political policy toward Argentina, consistent with the successful prosecution of the war.

The policy, therefore, should be both workable and consistent.

In the light of the above criteria, it is recommended that our economic policy toward Argentina be materially changed to provide for more adequate supplies of essential materials for the war effort from Argentine sources and to regain a realistic economic base for our political policy toward Argentina. It is important that any change of economic policy, whether formally announced or not, be predicated upon the requirements of the United States and the United Nations for speedy victory. This is consistent with all prior statements by the President and the Secretary of State on the Argentine problem.

Import Policy I. The United States should permit the importation from the Argentine of commodities that are needed for the prosecution of the war and for the maintenance of the civilian war economy.

II. Other requirements of the United Nations for direct military purposes or the civilian war economy, or for liberated areas should be supplied as needed from Argentina as well as from other available world sources.

III. The purchase of Argentine materials not essential for the war effort or for the maintenance of civilian war economy should be discouraged to the extent feasible.

Export Policy I. Export of capital goods should be kept at present minimums.

It is essential not to permit the expansion of Argentine heavy industry. . . .

II. Maintenance, repair and operating supplies, fuel, supplies for the maintenance of public health and safety, and goods not essential to Argentine basic industry, should be permitted export to Argentina within the limits of the supply situation.

Such goods should, in particular, be of categories similar to those now obtainable by Argentina from British, European neutral, and Latin American sources, it being borne in mind that despite curtailment of United States exports, Argentine overall imports have not appreciably declined.

Export of such goods should be in amounts sufficient to attract the Argentine vessels of the Flota and Dodero Companies⁴⁰ needed for the importation of essential materials to the United States and Canada.

III. Goods necessary for increased production of essential materials needed in the war effort should be exported on a *quid pro quo* basis.

As an illustration, it may become necessary to permit increased exports of petroleum to attract necessary vegetable oils and Argentine tankers for their transport.

IV. Our export policy should insure full utilization of Argentine vessels for transport of priority cargoes to the United States and Canada.

⁴⁰ Flota Mercante del Estado and Compañía Argentina de Navegación Dodero, respectively.

This is largely contingent upon the provision of profitable south-bound cargoes which would be forthcoming under recommendation II above."

It is realized that the political implications of adopting this policy are both delicate and possibly serious. This change has been approved even though it is realized that action taken under it will sooner or later lead to its being known in the Argentine and that this new economic policy may carry with it the implication of a change in our political policy, which we do not wish to revise.

Part of the difficulties may be overcome by care in putting a new economic policy into effect. We hope to be able to modify the present arrangements by a gradual relaxation rather than take action so suddenly as to become unnecessarily conspicuous.

During the next month and prior to the termination of the Mexico City conference,⁴¹ it is hoped that no modification in export policy need be made at all, but it may be necessary to approve certain marginal and troublesome licenses that have been pending for a long time in order to assure sufficient southbound revenue-producing freight to keep the Flota fully occupied in moving priority cargoes north. It may not be feasible to refer all such marginal cases to the Embassy for its recommendation. For the time being you are requested to continue the processing of certificates of necessity according to the September 9th policy.⁴²

The Department has approved an extension of our procurement activities in the Argentine in withdrawing objections to an allocation of fats and oils on behalf of United Nations and to the procurement of lead and leather. Additionally, objections have been withdrawn from the proposal to make additional fuel oil available to the Argentine, provided that arrangements can be made to obtain appropriate compensatory quantities of linseed for use by the United Nations.

The Department has advised FEA⁴³ confidentially of the pending change of policy. The present message is sent for the information of the Embassy only.

GREW

811.20 Defense (M) Argentina/3-945: Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, March 9, 1945—5 p. m.

266. In order to prevent the burning of oil seed and oil seed products in Argentina and to permit the shipment of urgently needed vegetable

⁴¹ The Inter-American Conference on Problems of War and Peace, February-March, 1945; for documentation concerning this conference, see pp. 1 ff.

⁴² For a statement of this policy, see telegram 1378, September 4, 1944, 7 p. m.-to Buenos Aires, *Foreign Relations*, 1944, vol. VII, p. 420.

⁴³ Foreign Economic Administration.

oil, oil seeds and oil seed cake to the United States and other United Nations, the War Shipping Administration was requested on March 8, 1945 to allocate vessels under its control for this movement and the movement of fuel oil to Argentina. Until further notice shipments are to be restricted to the above products.

WSA was requested to put ships into Argentine ports with as little publicity as possible. Department also expressed to WSA its desire that no WSA controlled vessel enter into an Argentine port for the above movement until 2 or 3 weeks time has elapsed from March 8.

GREW

835.24/3-3045

The Assistant Secretary of State (Clayton) to the Deputy Administrator, War Shipping Administration (Conway)

WASHINGTON, March 30, 1945.

MY DEAR CAPTAIN CONWAY: On September 9 we wrote you⁴⁴ requesting that the War Shipping Administration withdraw all vessels under its control from the northbound service between Argentine and United States ports, beginning October 1, 1944. This was done and we appreciate your cooperation in making the arrangement effective. On March 8, 1945 this request was modified to the extent of approving the shipment in vessels controlled by you of urgently needed vegetable oils, oil seeds and oil seed cake from Argentina to the United States and other United Nations, and to permit the movement of additional fuel oil to the Argentine.

Since our request of last September there have been a number of events in connection with the Argentine that make it seem advisable to reconsider the position taken at that time. Moreover, we are all familiar with the serious situation that has developed in connection with the supply of many commodities produced in the Argentine that are urgently needed for the relief of the peoples of Europe.

The Department now feels that changed circumstances make it advisable to withdraw its request of last September and no further objections will be imposed to the assignment of vessels under the control of the War Shipping Administration for the movement of Argentine supplies.

It is hoped that the major part of the cargoes moved from the Argentine to the United States will continue to be carried in Flota Mercante vessels, but it undoubtedly will be necessary to assign War Shipping vessels from time to time to supplement the Flota program. A case in point is provided by the request recently made by the Office of War Mobilization to assign a vessel for two trips for the movement

⁴⁴ Letter not printed.

of lead concentrates from the Argentine to the United States. This was discussed on the telephone by Mr. Brown⁴⁵ with Mr. Bissell⁴⁶ and the arrangements, we understand, are now being made for these voyages.

Sincerely yours,

WILLIAM L. CLAYTON

835.24/4-1245 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 12, 1945—2 p. m.

377. The following statement of export policy has been delivered to the Foreign Economic Administration:

"Export Policy Toward Argentina. Reconsideration has been given to the economic arrangements existing between this country and the Argentine. The economic side of our Argentine policy has been consistently geared into the development of our political relations. Argentina now has accepted the opportunities presented by the Inter-American Conference on Problems of War and Peace, to take measures to reaffirm its solidarity with the other American republics. This has made possible the resumption of diplomatic relations with the Argentine by the other American republics.⁴⁷

An economic policy toward the Argentine that is comparable in every respect with the economic policy of this country toward the other American republics is compatible with these political developments. It is recognized that, during the period of war shortages, many of the essential requirements of the Argentine economy have not been met in full. Many shortages continue, however, and an attempt to correct these deficiencies would be at the expense of other countries. In *future* allocation and licensing decisions, the Argentine should be treated on an equal basis with the other American republics and within the terms of resolutions adopted at the Mexico City Conference (1945) and the Rio de Janeiro Conference (1942),⁴⁸ but under existing supply conditions no assurance can be made to provide allocations in excess of this principle to make up for past deficiencies."

We understand that a number of countries still have in effect decrees prohibiting more or less completely the re-export of merchandise from the United States. There is now no objection to the re-export of

⁴⁵ Courtney C. Brown, Chief, War Supply and Resources Division, Department of State.

⁴⁶ Richard M. Bissell, Director, Division of Ship Requirements, War Shipping Administration.

⁴⁷ For documentation on recognition of the Farrell regime by the United States, see pp. 366 ff.

⁴⁸ Third Meeting of the Ministers for Foreign Affairs of the American Republics, January 15-28, 1942. For texts of the resolutions which appear in the Final Act of the Conference, see Department of State *Bulletin*, February 7, 1942, pp. 118-140; for documentation concerning the Conference, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

materials which may be found to be surplus, even though they may have been acquired from the United States. . . .

From the supply side, the only reservations that may be necessary arise out of the desirability of directing exportable surpluses of indigenous production in ways most appropriate to the prosecution of the war, which is consistent with the resolutions passed at the Mexico City Conference.

STETTINIUS

835.24/4-1245 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 12, 1945—4 p. m.

379. Department's telegram no. 377, April 12. Department has discussed with FEA export arrangements with Argentina and concluded that it is desirable to abandon the certificate of necessity procedure except for a positive list of items that remain under the Decentralization Plan for the other American republics. Such list can be obtained from the last edition of the Comprehensive Export Schedule.

We understand certificate of necessity procedure is based on a bilateral agreement evidenced in exchange of notes.⁴⁹ You are requested urgently to consult with appropriate authorities in Argentina regarding the proposal to discontinue the certificate of necessity procedure subject to Decentralization Plan and let us have your immediate reply. A new export announcement by FEA awaits your answer and many licenses cannot be granted pending the revision.

This, in substance, will admit Argentina to the list of K countries and thus place them on an equal basis with the other American republics. It is further proposed to withdraw the requirement of the shipping space certificate, form 138, with the exception of newsprint, in the case of shipments to the Argentine to conform with present shipping procedures for the other American republics. This again places business with the Argentine on an equal footing with other American republics⁵⁰ and eliminates screening against Confidential List⁵¹ of goods exported under general license.

Your urgent reply needed tomorrow.

STETTINIUS

⁴⁹ No record of an agreement by exchange of notes has been found in Department files.

⁵⁰ For further developments on this matter, see telegram 1228, September 7, 6 p. m., to the Ambassador in Argentina, p. 548.

⁵¹ This List consisted of individuals and business firms which were one step above the Proclaimed List as regards application of trade restrictions. For documentation relating to economic warfare measures in general, see pp. 437 ff.

835.24/4-1345 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, April 13, 1945—8 p. m.
[Received 11:07 p. m.]

732. Your 379, April 12, 4 p. m. Reaction Argentine authorities is in principle favorable to abandonment certificate necessity. This matter has been under discussion with Central Bank authorities for past week who express desire retain certificate procedure temporarily for following reasons: (1) inadequate shipping facilities necessitate some method allocation shipping space from United States to Argentina; (2) necessity control distribution merchandise in Argentina. They desire information regarding solution these problems in other countries and consider possibility issuing shipping space certificate in lieu certificate necessity. Details not yet complete but would enable control shipping space and distribution for essential goods.

Argentine shipping authorities request no announcement change be made in Washington for several days in order that they may make necessary arrangements regarding Argentine ships. Central Bank also requests no immediate announcement regarding certificates in Washington, stating that they wish to have at least 3 days for consideration.

Foreign Office expresses assent in principle to abolition certificates.

Argentine authorities apparently fear flood of nonessential products from the United States which would upset economy and cause speculation necessitating drastic import control measures. Central Bank authorities state, and Embassy is in complete agreement, that first and absolutely essential problem to be solved is matter of additional shipping space. This obviously must be supplied by the United States and arrangement should be made for this prior to any announcement by the FEA or any other Government agency. Both FEA and WSA are undoubtedly fully aware of backlog accumulation cargo in United States ports awaiting shipment which cannot be carried by Argentine vessels.

In considering lifting restrictions on trade with Argentina it is presumed that the Department, FEA, and other interested Government agencies are aware that the Argentine Government has not eliminated Axis firms and individuals from business, and at least two Proclaimed List Germans retain advisorships to the Government. It has not effectively implemented its decrees and regulations for the control and elimination of Axis firms but instead of taking effective steps in this direction proposes the lifting of our Proclaimed List controls. It seems certain that without these controls American merchandise coming to Argentina will fall into the hands of proscribed firms and indi-

viduals since Axis firms and individuals are in intimate contact with the Government, which controls allocation all merchandise.

It is felt that any announcement regarding relaxation of restrictions on trade with Argentina would be meaningless without provision adequate shipping facilities and ill advised in absence Government control of Axis entities by Argentina.

REED

835.24/4-1345 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 19, 1945—5 p. m.

411. McClintock ⁵² from Brown. Reference Department's 379, April 12 and Embassy's 732, April 13. FEA has informed Department that it is inclined to agree with position taken by Embassy and Central Bank that Certificate of Necessity system should not be changed at the present time. Meeting to discuss this matter arranged for April 23, and Embassy will be informed of results immediately. [Brown.]

STETTINIUS

811.20 Defense (M) Argentina/4-2045 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 20, 1945—10 a. m.

416. For McClintock. Please discuss urgently with Butler ⁵³ details of proposed oilseeds-fuel oil agreement and do all possible to assist him to close arrangement. Nyhus ⁵⁴ may be helpful. Butler has been fully advised of terms and conditions by FEA Washington. Understand Argentina ready to close on linseed part of the arrangement but, in view of critical shortage of edible oils, both FEA and War Food ⁵⁵ feel it inadvisable to close on the linseed and leave the edible oils outside. It is, therefore, exceedingly important that edible seeds and oil be included as well as linseed. It may help to get an immediate closing if it is pointed out that this provides a concrete way in which Argentina can demonstrate cooperation in the United Nations' war effort. It is important to all concerned that this protracted negotiation be successfully concluded immediately.

STETTINIUS

⁵² John McClintock, Special Assistant to Assistant Secretary of State Nelson A. Rockefeller.

⁵³ Randolph Butler, Representative of the Foreign Economic Administration at Buenos Aires.

⁵⁴ Paul O. Nyhus, United States Agricultural Attaché.

⁵⁵ War Food Administration.

835.24/4-2345 : Telegram

The Secretary of State to the Chairman of the United States Delegation to the United Nations Conference at San Francisco

[APRIL 23, 1945.]

Unnumbered. For Rockefeller and Warren ⁵⁶ from Butler. C.W. Kempter, Chief of the Office of Lend-Lease Affairs, Pan American Branch, FEA, called this afternoon to discuss the question of shipments to Argentina. He favors the setting up of an informal control committee, under his chairmanship, such as he says existed formerly, in order to consider these cases. The committee would include representatives of the State Department, of G-2 and various other sections of War, the Navy, and any other interested agencies, in addition to FEA.

Kempter stated that he had been informed that Warren had told General Hertford ⁵⁷ that it would be in order to release for shipment several orders which had been held up since 1944. I told Kempter that I thought we should await a report and instructions from Warren following his visit to Buenos Aires ⁵⁸ before taking any action. He agreed.

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I told Kempter I would communicate with him after hearing from you. [Butler.]

STETTINIUS

835.24/4-2445 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, April 24, 1945—3 p. m.

448. Department's 379 of April 12 and Embassy's 732 of April 13. With further reference to proposal to simplify Certificate of Necessity procedure it is decided to defer action for a brief period of perhaps 30 days. This will enable the Department and FEA to discuss the whole problem with Ambassador Braden ⁵⁹ before his departure for Argentina and will afford sufficient time to obtain McClintock's views upon his return. In the meantime FEA is processing licenses which

⁵⁶ Avra M. Warren, Chairman, State-War-Navy Subcommittee on Latin America.

⁵⁷ Brig. Gen. Kenner F. Hertford, member of the State-War-Navy Subcommittee on Latin America.

⁵⁸ For information on Warren's visit to Buenos Aires, see circular telegram of April 23, 3 p. m., to diplomatic representatives in certain American Republics, p. 378.

⁵⁹ Spruille Braden, Ambassador to Cuba, newly-designated Ambassador to Argentina.

have appropriate Certificates of Necessity subject to supply availability.

Aside from the specific question of simplifying Certificate of Necessity procedure, Embassy's 732 and 777 of April 20,⁶⁰ raise other questions requiring comment:

1. *Shipping*—Backlog of cargo on April 16 as based on the applications for freight space submitted to War Shipping Administration, which does not necessarily mean that the cargo is actually ready for shipment, amounted to 78,278 tons, consisting of 44,014 tons of newsprint, 30,700 tons of coal, and 3,564 tons of all other cargo.

The figure shown for newsprint is high, since it does not represent newsprint which has been manufactured and awaiting shipment. The realistic backlog of unshipped newsprint is 23,200 tons which represents the unshipped balance of the quota for the first quarter and the quota for the second quarter. Department will transmit backlog information regularly by monthly airgram.

With respect to the furnishing of US shipping for the movement of supplies to Argentina, this is unnecessary in view of the above small amount of cargo awaiting shipment to Argentina. In addition, Flota representatives here for many months have been complaining of the scarcity of available south-bound cargo.

2. *Proclaimed List*—All shipments are checked against the Proclaimed List whether they go out under general or individual license. No change in this procedure is contemplated even though Certificate of Necessity system is simplified.

3. *Export of non-essential products*—The fear of Argentine officials that simplifying Certificate of Necessity System may result in flood of non-essential imports is not warranted in view of experience in other American Republics following simplified decentralized export control. Inform McClintock.

GREW

[For text of Agreement between the United States and Argentina regarding fuel and vegetable oil, effected by exchange of notes signed at Buenos Aires, May 9, 1945, see Department of State Executive Agreement Series No. 495, or 59 Stat. (pt. 2) 1799. The Agreement provided for a supply from Argentina of vegetable oil cake, cattle feed for the dairy herds of Belgium, the Netherlands, and Denmark, and for vegetable oils for the United Nations. In return, fuel oil was to be sent to Argentina from the Caribbean area on a "heat equivalent basis."]

⁶⁰ Latter not printed.

835.24/5-1845 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, May 18, 1945—7 p. m.

552. As soon as possible after his arrival it will be desirable for Ambassador Braden to discuss with the Central Bank the question of future allocations from the US and the issuance of Certificates of Necessity against these allocations.

FEA has obtained allocations for the third quarter of a number of commodities for Argentina and will issue estimates of supply for licensing purposes. In the past it has been the practice of the Central Bank not to issue Certificates for commodities where no allocations were announced. For bookkeeping purposes the Bank will probably continue this policy. It thus becomes necessary that we inform them of the allocations and estimates of supply.

The chief reason for not informing the Bank of any new allocations has been to avoid publication in Argentine newspapers which might give political advantage to certain elements in the Government. Since it is operationally impracticable, however, to establish allocations without notifying the Central Bank, it is suggested that the Bank be told that allocations and estimates of supply will be available providing no publicity is given to them and that they remain confidential except to officials of the Bank and that further if publicity is given to the allocations, it is likely they will be cut off in the future.

If the Bank accepts this formula FEA will forward the estimates of supply to the Embassy and the Bank may then begin to issue new Certificates of Necessity against these quotas. FEA will also issue a current export bulletin announcing that all Certificates of Necessity issued prior to January 1, 1945, shall be cancelled as of July 1, 1945.

FEA in the meantime will continue to approve export license applications where properly validated Certificates of Necessity have been issued and approved by the Embassy. In certain other instances in which no Certificates are available the cases will be referred to the Embassy for its recommendations. The general policy will be to continue to rely on the Embassy for recommendations on all exports.

GREW

835.24/5-1945 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, May 19, 1945—2 p. m.

554. You are being instructed by separate telegram No. 552⁶¹ regarding procedure to be followed with respect to United States exports

⁶¹ *Supra.*

to Argentina. The revised export policy agreed to by the Department and FEA is as follows:

Within the limits of the supply situation, exports to Argentina will be licensed only upon recommendation of the Embassy in Buenos Aires, thereby keeping the control in hands of the Embassy. In exercising this control, these general criteria should be followed: First, exports will be approved for materials which will be used in Argentina having either direct or indirect connection with increased production of commodities needed in the war effort; second, no exports will be licensed which in any way would delay the speedy liquidation of Axis firms and commercial interests in Argentina;

The foregoing applies to the export of all materials except munitions or materials consigned to the armed forces of Argentina. You will be instructed separately with respect to export of any materials to Argentine armed forces.⁶²

Exports of rubber products will be handled under the terms of the Brazilian-American-Argentine agreement⁶³ which is on file in the Embassy.

GREW

835.24/5-3145 : Telegram

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

BUENOS AIRES, May 31, 1945—8 p. m.

[Received 8:45 p. m.]

1111. FEA states Dept. has requested FEA drop slowdown policy and expedite export licenses for Argentina. Request slowdown policy be continued for time being in view considerations contained my 1093, May 30, 5 p. m.⁶⁴ regarding desirability continuation Proclaimed and Confidential Lists for Argentina.

In other words I feel we should only supply Argentina in degree to which she genuinely implements her Chapultepec obligations.⁶⁵ To this policy I would make following exceptions of materials which [we] should supply so liberally as our war needs allow:

(1) real requirements for health and well being of Argentine people;

(2) materials which others will furnish if we do not, i.e., don't bite off our noses to spite our face;

⁶² For a statement of Department policy on this matter, see letter from the Acting Director, Office of American Republic Affairs, to Cmdr. Herbert C. Parker of the Pan American Division, Navy Department, June 11, p. 540.

⁶³ For text of agreement of May 2, 1945, see Department of State, *Treaties and Other International Acts Series No. 1542*, or 60 Stat. (pt. 2) 1821.

⁶⁴ Not printed.

⁶⁵ For texts of Resolutions agreed upon by delegates to the Chapultepec Conference, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March 1945* (Washington, 1945), pp. 35-108. For documentation on this Conference, see *ante*, pp. 1 ff.

(3) exports covered by points of Dept.'s tel. 554, May 19, 2 p. m., although careful scrutiny should be given to those coming under point 3.

BRADEN

835.24/5-3145 : Airgram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, June 9, 1945.

A-440. The British Embassy presented the Department with the following *Aide-Mémoire* on June 2:

"His Majesty's Government desire to discuss with the United States Government the position of Argentina in relation to the requirements of the United Nations for Argentine supplies.

"2. Now that Argentina has become associated with the United Nations and has acquired the status of an Ally,⁶⁶ His Majesty's Government feel that she may reasonably be asked to make the maximum contribution to meet (a) the requirements of countries such as the United Kingdom and the United States of America which are actively prosecuting the war against Japan and (b) the rehabilitation needs of the liberated countries.

"3. At the present moment the attitude of Argentina in this respect is causing serious concern to His Majesty's Government. Upon the re-establishment by the United States and the United Kingdom of normal relations with Argentina, His Majesty's Government, with the agreement of the United States Government, resumed negotiations for the supply during the current year of the meat necessary in order to maintain the low United Kingdom ration.⁶⁷ These negotiations have made no progress as no reply has been received from the Argentine Government to the approach made by His Majesty's Government on April 12th last.

"4. The threatened intervention of the French and Belgian Governments may serve to encourage the Argentine Government to refrain from coming to an agreement which would provide the maximum quantity of meat at reasonable prices for equitable distribution among the United Nations. Special representatives of His Majesty's Government are now proceeding to Buenos Aires in the hope that direct contact with the Argentine authorities may expedite the meat negotiations.

"5. There are, moreover, other commodities, such as corn, hides, oils, fats and dairy produce which are urgently required by the countries of Europe. It is in the interest of the common war effort of the United States and United Kingdom Governments, and of the United Nations as a whole, that these commodities should be made available

⁶⁶ For information regarding nature of the steps taken by Argentina in this direction, see circular telegram of April 4, to diplomatic representatives in the American Republics, p. 374.

⁶⁷ For documentation relating to meat necessities of the British, see *Foreign Relations*, 1944, vol. VII, pp. 288 ff.

for export from Argentina in maximum quantities and on reasonable terms.

"6. His Majesty's Government therefore suggest that it would now be opportune to approach the Argentine Government and to impress upon them the responsibilities which their new status of an Ally imposes upon them. His Majesty's Government enquire whether the United States Government would be prepared to make concerted representations to the Argentine Government on this basis, and, in particular, to urge them:—

(a) as a fully cooperating Ally, to make available the maximum supplies, on reasonable terms, of meat and the products referred to in paragraph 5 above, needed, under the system of international allocation now in operation, for the rehabilitation of European economy.

(b) to afford the maximum assistance in solving the problem of supplies to ex-enemy territories outside the scope of UNRRA.⁶⁸

(c) to make an adequate contribution to UNRRA itself.

"7. His Majesty's Government are convinced that the best prospect of securing Argentine cooperation in solving these vital problems lies in firm and concerted representations by the two Governments in Buenos Aires."

After full discussion, it was agreed that the suggestion contained in the *Aide-Mémoire* is an appropriate one and that we would take such action as you may regard appropriate, either independently or jointly, after you have discussed the matter with the British Ambassador.⁶⁹ Care should be exercised, however, to treat this purely as a supply matter. In making representations, political questions concerning status of Argentina as one of the United Nations should be excluded. It is probably desirable that formal representation be made to the Argentine Government.

In the light of this position the Department is inclined to feel that present procedural arrangements relating to Argentine exports are adequate to give you the control needed as the situation may require from time to time. (Refer your 1111 of May 31.) . . . exports from this country to the Argentine after July 1 will be limited to those for which you have approved Certificates of Necessity For the remainder of the second quarter export licenses will continue to be issued against properly validated Certificates of Necessity, regardless of the date of issuance. We have not felt it necessary to have the FEA continue the slowdown instituted as an interim measure pending the formulation of this procedure.

In our discussions with you, it was the view of the Department that continued controls should be exercised by you over consignees and end-use of shipments, but it was not necessarily implied that the total amount of exports would be limited in the aggregate. We

⁶⁸ United Nations Relief and Rehabilitation Administration.

⁶⁹ Sir David Kelly.

are inclined to feel that this is about the way the situation would work out if the criteria listed in your 1111 of May 31 are applied.

GREW

835.24/5-3145

*The Acting Director, Office of American Republic Affairs (Butler)
to Commander Herbert C. Parker, Pan American Division, Navy
Department*

WASHINGTON, June 11, 1945.

Reference is made to your memorandum of May 31, 1945 (Serial No. 0032517 (SC)L11-7/EF5).⁷⁰

In reply to the suggestion that the procedure in processing Argentine export license applications for naval material be simplified and made uniform for both Army and Navy, reference is made to the secret letters, dated June 4, 1945, addressed by the Acting Secretary of State to the Secretaries of War and Navy.⁷⁰ In these letters it is requested that for important political reasons and consideration of foreign policy, no action be taken on the export of material to the Argentine armed forces except with the specific approval of the Department of State. Consequently, the Department of State believes that the "Certificates of Necessity" system should remain in effect as concerns all material for the armed forces of Argentina.

A copy of the Navy Department's memorandum under reference and a copy of this reply have been forwarded to Mr. Warren, Chairman of the State-War-Navy Sub-Committee on Latin America, at San Francisco for his information.

GEORGE H. BUTLER

811.20 Defense (M) Argentina/6-1445: Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, June 14, 1945—7 p. m.

705. Critical press comments have been published here as a result of agreement to supply fuel oil to Argentina. Brazil has reacted by requesting larger quantities of fuel oil which is extremely difficult to provide. The fats and oils-fuel oil agreement⁷¹ has been undertaken by this Government to assist in maximum degree possible in providing the United Nations with urgently needed commodities.

In the circumstances, it is of utmost importance to the Department in both political and economic sense that Argentina fulfill without reservation the spirit and intent of the agreement. The proposed in-

⁷⁰ Not printed.

⁷¹ Agreement signed May 9, 1945; see bracketed note, p. 535.

crease in taxes on ocean vessel freight is hard to reconcile in this connection retel 658 June 8.⁷² Dept desires fullest possible information regarding (a) progress made in the attempt to obtain agreed interpretations of certain ambiguous clauses and provisions of the agreement and (b) your best estimate as to what can be expected with respect to quantities of specific items. What has already been made available and what will be made available in succeeding months?

The Embassy may wish to discuss with Gibboney⁷³ a report here that there is some trade dissatisfaction with procurement procedure. Will purchases be made through regular trade channels and export margins be allowed? WFA⁷⁴ needs to know at earliest possible date whether effort to obtain clarification of the oil arrangement will succeed in protecting this Government in its operations in accordance with Combined Food Board allocations and insure maximum procurement during present period of short world supply.

GREW

835.24/6-1445 : Airgram

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

BUENOS AIRES, June 14, 1945.

[Received June 19—7 p. m.]

A-284. Reference Department's confidential instruction no. 6708 of May 17, 1945,⁷⁵ regarding policy to be adopted concerning Certificates of Necessity covering supplies for the Argentine Army and Navy.

This Embassy requested instructions which would cover the acceptability of the Argentine Army, Navy, and other military subsidiaries as consignees for United States materials at the present time. The Department's instruction concerns only policy with regard to the exportation of arms, munitions, and implements of war.

The Department's telegram no. 377 of April 12, 1945, 2 p. m., setting forth an export policy statement for the FEA recognized that special considerations govern exportation of arms, munitions, and materials related to the armament industry. The Department's telegram 554 of May 19, 2 p. m., forwarding a revised export policy, agreed to by the Department and the FEA, was applicable to all materials except munitions or materials consigned to the armed forces of Argentina. This telegram also pointed out that separate instructions would be sent

⁷² Not printed.

⁷³ Carl N. Gibboney, Representative of the Foreign Economic Administration, on special mission to the American Republics to explore food procurement matters.

⁷⁴ War Food Administration.

⁷⁵ Not printed; this instruction authorized the Chargé to approve Certificates of Necessity for supplies of a medical nature for the Argentine Army and Navy (835.24/5-1745).

regarding this export category. Although these instructions have not yet been received, their preparation would appear to modify the Department's instruction no. 6708.

It should perhaps be stressed that the secondary or quasi-military exports present a particularly difficult problem. If Argentina is not to be permitted to receive arms and munitions in their final fully fabricated form, the question naturally arises, as a long term consideration, whether Argentina, through its military steel factory or through private companies working on army contracts, should receive raw materials from the United States to manufacture such arms and munitions locally. Immediately, there is a further question of the status of the Argentine armed forces as consignees for any United States merchandise whatsoever, exclusive of medical supplies.

Previous policies governing exports to Argentina as formulated by the Department have contained a prohibition on the export of materials to the Argentine armed forces. It is felt that the need of the Argentine armed forces for materials of every description is one of the few economic problems occasioning the present Government real concern. It is presumed that the statements contained in the second paragraph of the Department's confidential instruction no. 6708 are not intended to indicate a weakening or reversal of this previous policy.

BRADEN

811.20 Defense (M) Argentina/6-2145 : Telegram

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

BUENOS AIRES, June 21, 1945—8 p. m.

[Received 9:15 p. m.]

1311. Ref Rio tel. June 21, 1 p. m.⁷⁶ Entire fats and oil deal was clarified by recent public statement of Acting Secretary⁷⁷ and as a matter of fact insufficient Argentine tanker tonnage must be supplemented by us to carry out our part of the agreement to supply fuel oil enabling Argentina to release vegetable oils urgently needed by United Nations.

Repeated to Rio.

BRADEN

⁷⁶ No. 1977, not printed.

⁷⁷ Released to the press on June 15; for text, see *Department of State Bulletin*, June 17, 1945, p. 1116.

835.24/6-1445 : Airgram

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

WASHINGTON, July 4, 1945.

A-519. Reference your A-284, June 14, 1945. Department's confidential instruction 6708, May 17,⁷⁸ is amended to authorize through certificate of necessity procedure such restrictions on shipments to Argentine armed forces as you may consider justified.

FEA has been requested to refer to you for review all consignments involving Argentine armed forces.

Department is not endeavoring to enlist the cooperation of other governments in curbing shipments to the Argentine armed forces of "secondary or quasi-military" materials which are not defined as arms, munitions and implements of war in the President's Proclamation of April 9, 1942.

BYRNES

835.24/7-745 : Telegram

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

BUENOS AIRES, July 7, 1945—7 p. m.

[Received 10:15 p. m.]

1473. Re London's tel. 6649, July 2 to Dept.⁷⁹ Sale of aircraft supplies, whether planes, engines, parts, manufacturing equipment or processes to individuals or firms not now satisfactorily operating in civil aviation in Argentina is most undesirable. Such sales will almost surely result in deliveries to Argentine military.

Eminently reasonable assume any new companies permitted operations Argentina will be utilized by Argentine Army as auxiliary or training units. Also whether a given airplane is civilian or military is largely dependent on what else is in the air at same time. It would be highly prejudicial to our best interests to make additional aircraft or aviation supplies available to Argentine Govt. presently.

I strongly recommend that no aviation equipment be exported to Argentina either for resale to general public or for use of nonestablished companies or individuals unless latter have been thoroughly investigated and favorably recommended by this Emb. . . .

BRADEN

⁷⁸ See footnote 75, p. 541.⁷⁹ Not printed.

835.24/6-2045 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, July 14, 1945—10 a. m.

880. Reference Department's 762, June 26, Emb's 1290, June 19 and 1296 June 20.⁸⁰ Department and FEA have agreed to liquidate as of October 1, 1945, the Decentralization Plan of Export Control, now in operation in 19 American republics. The effect of this would be to place all export controls solely in the FEA.

In line with the above procedure it is proposed also that the certificate of necessity procedure in Argentina shall be eliminated and that export controls be centralized in Washington, with prior Emb consultation in doubtful cases or whenever otherwise necessary. It is proposed that export licenses shall be required for all shipments from the US or Canada for which export licenses are now required. It is also proposed to consult Emb before issuing export license for any agency of the Argentine Government including the military services, the petroleum industry, and the film industry, except for medicine and other essential health items.

It is further proposed that all export license applications received in Washington shall be screened against world trade reports, consignee control reports and the proclaimed list. In doubtful cases FEA will consult the Embassy.

The Embassy should submit as soon as possible any available additional information concerning prospective Argentine importers.

In cases where the FEA has allocations for Argentina, it is proposed that the Embassy submit to Washington at early date a percentage breakdown by consignee as a guide for licensing officers in processing license applications.

FEA states that 1 or 2 weeks may be required to bring its consignee information files up to date. FEA prefers, however, that revised plan be made effective at the start of a calendar quarter. Effecting change on October 1 is suggested since it will coincide with elimination of Decentralization Plan throughout Latin America. FEA believes that from an operational standpoint above plan is workable.

Embassy is requested to forward promptly its reaction to this proposal in order that FEA may issue an announcement of the change of procedure to the trade and also that appropriate announcements may be made in Buenos Aires and Ottawa.

GREW

⁸⁰ None printed.

800.24/7-1445 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina

WASHINGTON, July 14, 1945—2 p. m.

Reference Department's Circular Telegram of June 15, 1945.⁸¹ FEA and Department agree that the Decentralization Plan for Export Control should be liquidated in its entirety as of October 1, 1945. Liquidation at the earliest possible date has already been suggested by several of the other American republics. Accordingly the Embassy is requested to inform the Foreign Office or the Country Agency of this proposal.

It is assumed that where the Decentralization Plan was put into effect originally by formal exchange of notes between the Embassy and the Foreign Office that same procedure will be followed in effecting the liquidation of the Decentralization Plan.

As in the case of previous partial rollbacks of the Decentralization Plan, it should be realized that elimination of the import recommendations does not mean that commodities involved will be placed under general license; on the contrary it is expected that they will remain on individual license.

GREW

835.24/7-1745 : Telegram

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

BUENOS AIRES, July 17, 1945—10 p. m.

[Received 11:47 p. m.]

1567. Your 880, July 14, 10 a. m. Export control procedure agreed Dept. and FEA satisfactory to Embassy. Understand change involves only transfer control to Washington nor [*not*] relaxation controls. Paragraph 2 your 880 should be rigidly followed.

Embassy now revising consignee control reports. Am glad to know these, WTDS,⁸² PL,⁸³ plus consultations with Embassy, in FEA opinion now give adequate control. Request complete list products allocated fourth quarter for early preparation consignee distribution guide.

October 1 date agreeable. Suggest Central Bank should be requested stop issuance certificates September 1 except for third quarter allocations. Simultaneous advices should be made Washington,

⁸¹ Not printed.

⁸² World Trade Directories.

⁸³ Proclaimed List.

Ottawa, Buenos Aires, timed with FEA's notice to trade. Please advise Embassy in advance of date in order that Central Bank may be informed.

BRADEN

835.24/8-945 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, August 9, 1945—4 p. m.

[Received 11 p. m.]

8018. Dept. airgram A-2066, July 27,⁸⁴ quoting telegram 1473, July 7 from Buenos Aires. We were told at Foreign Office today by official directly concerned Argentine affairs that British Govt. is completely in accord with Dept. on desirability of preventing shipments arms, including military aircraft and equipment to Argentina, and that no permits are being issued for shipment such material or equipment. Brit. adhere to previous position, however, that exports light planes for civilian air training or export planes for civilian passenger or freight transport should be permitted providing aircraft cannot be converted by addition of armament for military use and providing further that they lack sufficient speed or carrying power to be used for military purposes.

Foreign Office official referred to recent announcement that state of siege has been lifted in Argentina and said that in his view this was extremely encouraging indication that Argentina's political situation might soon work out to satisfaction of U.S. and U.K. He added that opposition political leaders in Argentina were referring to Ambassador Braden as "saviour of Argentina". He attributed abandonment of state of siege to failure of Perón to win support of Radical Party and to dissatisfaction of Farrell and Tesaire with Perón policies,⁸⁵ Foreign Office official added that should Argentine political situation work out favorably he could perceive no reason why Argentina should not be put in same position as other Latin American states as [regards?] rearmament shipments. He emphasized, however, that any change in policy would clearly depend on present favorable developments reaching fruition.

Sent Dept. rptd. Buenos Aires, 13.

WINANT

⁸⁴ Not printed.

⁸⁵ For documentation relating to United States concern over these policies, see pp. 366 ff.

835.6362/8-945 : Telegram

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

BUENOS AIRES, August 9, 1945—9 p. m.

[Received August 10—12:46 a. m.]

1809. At request Foreign Minister ⁸⁶ I called on him this afternoon. He was accompanied by Colonel Abarca, Secretary of Industry and Commerce. They outlined their grave concern over prohibition coal shipments which would force burning corn and other products we desired, expressing earnest hope we would reverse ruling. In reply I said I was thoroughly alive to problem as presented by them, moreover, I realized serious consequences for Argentina unless fuel could be obtained. I read them paraphrase Department's cable 1024 August 4, 4 p. m.⁸⁷ explaining that because of American public opinion at this time Department, Embassy, and I, personally, were tied hand and foot so that we could not possibly get Secretary Ickes to reverse his ruling. I pointed to fact that Ambassador Warren had visited here in order to improve and consolidate our relations, nevertheless on day succeeding his departure many additional people had been imprisoned for political reasons thus greatly embarrassing him before American public. I reminded them that on May 22, I had told Colonel Perón he and Argentine Government must help me in order that I might help Argentina whereas exactly reverse had been done. I detailed aroused American public opinion in face of political incarcerations, lack of press freedom, and failure to do anything effective on Nazi liquidation, replacement and internment programs. Finally, for first time I referred to campaign against me remarking that Pacheco of Secretariat of Information and Press had telegraphed to Santiago [to] get photographs of mine disaster ⁸⁸ and others of Secretariat had been active in campaign, not to mention police relationship thereto. I added that my report on this incident had been forwarded to Department yesterday.

Abarca, while admitting two recently arrived American engineers had confirmed to him everything I said regarding public opinion at home, tried to minimize these matters especially campaign. I bluntly pointed out no country could tolerate officially inspired campaign against its Ambassador.

I mentioned in passing I did not even know whether we could help Argentina by arranging loan of tires to be repaid from production

⁸⁶ César Ameghino.

⁸⁷ Not printed; the Department indicated that coal shipments to Argentina and neutrals were temporarily suspended by order of the Solid Fuels Administrator for War, Harold L. Ickes, (835.6362/8-245).

⁸⁸ Reference is to a mine disaster at Camp Sewell, Rancagua, Chile, on June 19, 1945, in which 500 miners were said to have lost their lives; the mines were operated by the Braden Copper Mining Company, a company with which the Ambassador had no connection.

here later. Abarca contended this operation could easily be explained to which I replied that so aroused was public opinion that even despite Acting Secretary Grew's clear statement on fats and oils agreement⁸⁹ it was still attacked in American press.

Throughout Foreign Minister fully supported my contentions. I reiterated that until there was substantial performance by Argentina in all these particulars we would continue bound hand and foot and unable to assist them anxious as we were to do so and dedicated as we were to principle of establishing friendliest relations between Argentina and American people as two important cornerstones of hemispheric solidarity. Again both Ministers appealed for my friendship and assistance which I said would be theirs always providing they cut the bonds which had been placed upon us by activities here.

Repeated to Santiago and Rio.

BRADEN

835.6362/8-245 : Telegram

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

WASHINGTON, August 18, 1945—1 p. m.

1105. Urtel 1737 Aug 2⁹⁰ and 1809 Aug 9. Dept has been able to obtain removal of embargo on coal shipments to Argentina and it is possible to ship 20,000 tons per month through Dec.

Rather than start shipments gratuitously the Dept wishes to inform you that shipments can be arranged and will be started when you advise the Dept that it is desirable to do so.

BYRNES

611.3531/9-745 : Telegram

The Acting Secretary of State to the Ambassador in Argentina (Braden)

WASHINGTON, September 7, 1945—6 p. m.

1228. In order to bring export controls into line with the domestic reconversion program FEA proposes to issue very shortly an export bulletin containing sweeping revision of the existing system. All countries will be reclassified into two groups, Group K containing the large majority including Spain and other neutrals, and Group E comprising Argentina, Austria, Caroline Islands, Italy, Marcus Islands, Marianas Islands, Marshall Islands, Bulgaria, Rumania, and Hungary. All commodities except a limited list of commodities in short supply will be placed under general license without value limitations

⁸⁹ See Department of State *Bulletin*, June 17, 1945, p. 1116.

⁹⁰ Not printed.

to country Group K destinations. Existing export controls are to be retained without modification as respects Group E countries.

Dept proposes to recommend to FEA that Spain be included in Group E in order that the two leading fascist dictatorships may be designated for equal treatment. It is our feeling that it would be inadvisable either to remove Argentina from Group E or to single it out for apparently more severe treatment than that accorded Spain. The foregoing proposal has the advantage of maintaining for both countries such administrative flexibility in our controls as developments may require, and should elicit favorable comment here. The British will be informed of intended action.

To meet urgent publication schedule please telegraph your recommendation immediately as to inclusion of Argentina in Group E on this basis.

ACHESON

811.20 Defense (M) Argentina/9-745 : Telegram

*The Acting Secretary of State to the Ambassador in Argentina
(Braden)*

WASHINGTON, September 7, 1945—7 p. m.

1231. Paragraph C 3 of Oilseeds-Fuel Oil agreement provides "The Argentine Government hereby undertakes to facilitate by all the means in its power the consummation of the purchases at the prices herein named and particularly the availability of the products", etc. After consultation with FEA officials, it was revealed Argentine Government officials had agreed with Butler, FEA representative, if necessary, to (1) give highest railroad priorities for these commodities, (2) set ceiling prices at levels to permit movement of seeds to crushers and peanuts for export and further affirmed to take action as indicated in Embs 1620 of July 23.⁹¹ Argentina should be asked to take these and any other necessary measures, such as inventory controls, to make available for export quantities not reasonably needed for current domestic consumption and not required for normal export quotas for other American Republics.

Since urtel 2024 of Aug 30⁹¹ indicates that present Argentine officials are not implementing agreement as to edible oils and in view of recent changes in personnel handling matter, FEA and Dept suggest that Emb assisted by FEA representative explore and confer anew with appropriate Argentine officials need for Argentine Govt carrying out the responsibility it undertook in signing the Agreement.

ACHESON

⁹¹ Not printed.

611.3531/9-845 : Telegram

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

BUENOS AIRES, September 8, 1945—9 p. m.
[Received 10:31 p. m.]

2114. Deptel 1228, September 7, 6 p. m. As stated over telephone to Brown, entirely agree with Department's recommendation and especially that Spain be included with Argentina in group E specifically excluded for future purposes of export control.

BRADEN

835.6362/9-2045 : Telegram

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

BUENOS AIRES, September 20, 1945—12 p. m.
[Received September 21—6:10 a. m.]

2235. Recent inquiries on individual fuel problems from Department depend on major policy decision re restrictive economic policy toward Argentina versus food and vegetable oil exports. Following facts control situation:

1. Present fuel shortages have brought Argentine transport and power industries to breaking point. Their collapse would surely precipitate economic and political crises.

2. Maintenance food and vegetable oil exports depend upon immediate additional imports of fuel oil and coal. Unless these forthcoming promptly, reasonable to expect almost total cessation exports any substance capable use as fuel regardless of existing agreements.

3. Embtel 2221, September 19, 9 p. m.⁹³ Press reports indicate British have no intention imposition restrictions on Argentine trade.

4. Burning grains and vegetable cakes plus British and other fuel shipments would probably obviate economic crisis or delay it.

5. Maintenance of fuel as decisive economic weapon thus depends on success of efforts to obtain effective joint action. Unilateral action would be futile.

I recommend immediate assessment importance of continued foods and vegetable oil exports from Argentina to U.S., and U.K. and liberated areas. If survey demonstrates indispensability Argentine supplies, then recommend joint U.S.-U.K., Netherlands, and South African decision to increase fuel shipments to Argentina to extent and only to extent necessary to maintain procurement programs. We should retain control over fuel exports to Argentina in order to apply coercive measures if and when necessary.

The following represents current situation re Department's specific inquiries.

⁹³ Not printed.

Present indications are that Argentina will be unable to supply prior to December 31 in any event more than minimum quantities of flaxseed, linseed cake, and oil specified in agreement, namely 133,000 tons, 179,000 tons, and 88,000 tons respectively. Deliveries edible oils affected by high prices and local market demand (Embtel 2024, August 30, 8 p. m.).⁹⁴ It is doubtful if deliveries linseed products could be expanded through additional deliveries fuel oil. This might, however, improve delivery prospects for edible oils and other food products (Deptel 1265, September 14).⁹⁴

Deptel 1297, September 19, 9 a. m.⁹⁴ Supplies of South African coal thus far received have been almost exclusively for British railroads and British *frigoríficos* to detriment of American *frigoríficos*. South African Consul has been negotiating coal-corn agreement for some time primarily due there to critical corn shortage and Argentine Government has now agreed to barter 5 tons corn against 4 tons coal, South Africa bearing freight charges. First shipment 8,000 tons corn loading today. As coal deliveries will be to Argentine Government, British and South African representatives will not have control over distribution and they expect all will be for essential requirements of power companies. Agreement is through balance of year and no commitment made as to quantity coal to be supplied though assurance given of maximum assistance.

Deptel 1277, September 14, 8 p. m.⁹⁴ To maintain normal production some relief is required by *frigoríficos* to obtain this, [since?] a special monthly quota of 7,000 tons fuel oil outside fuel oil-linseed agreement would have to be supplied and specifically earmarked for *frigoríficos* to insure carrying out food procurement program (Embassy's despatch 481, August 4).⁹⁴

If additional supplies of fuels cannot be obtained, Argentina will of necessity violate existing agreements and utilize all available fuel supplies to operate railroads, power companies, and other essential services. The Government has already adopted measures prohibiting temporarily exports of wheat flour and drastically curtailing current exports of grains for England, Brazil and UNRRA. Official statement indicates that low stocks 1944/45 corn will have to be used entirely as fuel for production of electric power and possibly other grains will have to be used if additional supplies of coal and oil not promptly available.

Embtel 1941, August 22, 12 midnight.⁹⁴ The Embassy and FEA have endeavored to secure top priorities for products involved in fuel oil-linseed contract and newspaper articles have stressed continued

⁹⁴ Not printed.

adherence both Governments. Removal urged of export tax on oil-cakes to encourage prompt delivery 40,000 tons Sun Oil. At Embassy's request 40 Army trucks released for flaxseed transportation and release additional fuel oil obtained for railways. Despite our efforts deliveries under agreement contingent on transportation, which in turn depends on availability fuel supplies (Deptel 1231, September 7, 7 p.m.).

Argentine Government fully cognizant of its obligations and Minister of Agriculture ⁹⁶ has cooperated. However, final outcome depends on decision re joint cooperation in possible economic sanctions versus essentiality of foodstuff programs. Due to present critical supply situation urgency of early decision is again stressed. We must not on one hand overlook fact that strengthening procurement program may strengthen existing regime whereas coercion, necessary though it may be, may cut off supplies vitally needed by Europe. But we must face issue that we cannot permit Nazis to continue to develop Argentina as base for third world war.

BRADEN

635.4131/10-645 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, October 6, 1945—4 p. m.

[Received 5 p. m.]

10429. Board of Trade press officer tells us that no statement of nature reported in Buenos Aires 2221, September 19 ⁹⁷ has been issued. Associated Press asked Board of Trade for statement on Britain's trade policy toward Argentina and Spain and was informed that it was "in line with U.S. policy as we understand it." Board of Trade press officer however refused to comment on further questions re Brit. policy on exports to Argentina and Spain. Embtel 10110, September 28 ⁹⁸ contains Foreign Office reaction to approach which Emb. made under instructions from Secretary re trade controls.

Sent to Department as 10429; repeated to Buenos Aires as 25.

WINANT

⁹⁶ Col. Amaro Avalos.

⁹⁷ Not printed; it indicated that in the postwar period, the British would probably not place Argentina in the category of an enemy country (635.4131/9-1945).

⁹⁸ Not printed; it contained a statement by Perowne that a comprehensive review of British policy toward Argentina would soon be undertaken (635.0031/9-2845).

835.6363/10-1045 : Telegram

The Chargé in Argentina (Cabot) to the Secretary of State

BUENOS AIRES, October 10, 1945—9 p. m.

[Received October 10—7: 05 p. m.]

2495. ReEmbtel 2331, September 27, 9 p. m.⁹⁹ Position of *frigoríficos* daily becoming more critical and if any way possible believe 7,000 tons fuel oil monthly should be made available outside established quotas and fuel oil-linseed agreement. This alone will assure continued operation *frigoríficos* in food procurement programs.

If satisfactory situation develops through displacement Perón, I feel strongly that some relief should promptly be afforded in existing fuel shortage to strengthen Government's hand and prevent accusation by Perón supporters that situation has become worse under new regime. Since present fuel situation is directly affecting food exports to Europe only strong political reasons would justify withholding fuel. I feel however general relief must await clear improvement in political situation and this is not yet apparent.

CABOT

835.6363/10-2345 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 23, 1945—5 p. m.

1485. The termination of hostilities and reduction in military requirements has so relieved the petroleum situation as to make it impracticable to retain the controls necessary to implement a restrictive policy on petroleum shipments to Argentina. The Dept has accordingly agreed with the other interested agencies and the Brit that limitations now in effect as to programming and coordination of supplies and transportation will no longer be required after Oct 31, 1945. This decision has been dictated solely by general world conditions and not by any political considerations in connection with the present Argentine situation.

After Oct 31, 1945 importers should make their own arrangements to secure supplies and tanker transportation. For the time being however petroleum products shipped from US will continue to require export licenses. Your Brit colleague will be receiving parallel instructions and detailed info will be cabled in a few days. You should immediately advise American oil companies (urtel 2557, Oct 16)⁹⁹ but [it] is desired no announcement of decision be given the Argentine Government.

BYRNES

⁹⁹ Not printed.

835.6363/11-745

*Memorandum by the Assistant Secretary of State (Braden)*²

[WASHINGTON,] November 7, 1945.

Mr. Tewksbury³ informed me over the telephone this morning that 180,000 tons of fuel oil had been delivered by us to Argentina under our fuel oil-fats and oils agreement, but Argentine deliveries in return were 30 percent under their commitment. However, the authorities there assured the Embassy that they would get off before the end of the year 43,000 tons of linseed oil, 45,000 tons of flaxseed, 33,000 tons of cake.

On this basis, Argentina by the end of the year would be 50 percent behind in deliveries.

It is Tewksbury's opinion that the fuel situation is more responsible than lack of tires.

In this latter connection Chester Davis⁴ has just concluded an arrangement whereby we will supply an additional 20,000 tons of fuel oil and the officials claim that this will enable Argentina to fulfill its agreements. If additional fuel oil is supplied, as has now been announced, it will improve the supply of linseed and other products. In this connection, the American oil companies have already made arrangements to bring in 160,000 tons of crude oil for refining in Argentina during the months of November and December. Moreover, the YPF⁵ has contracted with Mexico for 500,000 tons. Of course, tankers must be supplied for the transportation of this oil, but apparently this can be done.

A further impetus to the release of 20,000 tons of flaxseed and 125,000 tons of cake (55,000 sold direct to liberated areas and balance to USCC⁶) will result from removal of tax of 25 pesos on oil-seed cake.

In Tewksbury's opinion were we to negotiate a lower price under our contract, it would simply stop shipments. These prices are regarded as fair by Chester Davis. In other words, a lower price would be harmful and a higher price would have no effect in increasing production.

SPRUILLE BRADEN

² Addressed to Assistant Secretary of State (Clayton), and to Ellis A. Briggs and George H. Butler of the Office of American Republic Affairs.

³ Howard Tewksbury, Counselor of Embassy for Economic Affairs, Buenos Aires.

⁴ Chester E. Davis, Member of Advisory Board, Office of War Mobilization and Reconversion; formerly a Special Representative of the Foreign Economic Administration.

⁵ Yacimientos Petrolíferos Fiscales, Argentine state petroleum company.

⁶ United States Commercial Company.

835.24/11-145 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, November 13, 1945—6 p. m.

1606. ReEmbs 2730 November 1 and 2751 November 2.⁷ Dept in full accord with British that wheat position requires that all possible be done to ensure greatest possible flow of wheat, other grains and feeds from Argentina to deficit areas. Recent relaxation of controls on export of petroleum fuels from US and Caribbean area may be expected soon to improve fuel situation in Argentina, thus curtailing necessity for burning grains for fuel and quickening export of grain from that country.

Nearly whole of quota of tires and rubber called for by terms of tire and rubber agreement⁸ already have been sent to Argentina and remainder expected to follow soon. It is felt Dept could explore possibility of sending additional tires for use in movement of wheat stocks only on basis of specific information regarding number and type of tires needed and assurance that such tires would be used for purpose indicated. Emb is also requested to communicate to Dept facts about specific uses of motor transport for movement of grain in Argentina upon which is based Emb judgment that grain stocks can be moved "only by immediate provision of tires."

BYRNES

835.24/10-2345

The Department of State to the British Embassy

AIDE-MÉMOIRE

Careful study has been given to the views of the British Government regarding certain factors relating to the Argentine Situation, as set forth in the *Aide-Mémoires* dated October 12 and October 23, 1945.⁷

The Government of the United States appreciates fully the vital importance of securing the largest possible supplies of foodstuffs for the United Kingdom and the liberated areas of Europe. Mr. Bevin⁹ emphasized to Ambassador Winant¹⁰ the vital necessity to the British

⁷ Neither printed.

⁸ Agreement of May 2, 1945, negotiated by representatives of the Argentine Ministry of Industry and Commerce, the Rubber Development Corporation, and the Brazilian Government. Under the terms of this agreement, the United States agreed to allocate tires, tubes, and synthetic rubber to Argentina and the latter agreed to apply price controls, insure that raw rubber and rubber products would be used for essential requirements and prevent contraband trade in rubber. For text of agreement, see Department of State, *Treaties and Other International Acts Series No. 1542*, or 60 Stat. (pt. 2) 1821.

⁹ Ernest Bevin, British Secretary of State for Foreign Affairs.

¹⁰ John G. Winant, Ambassador to the United Kingdom.

Government of insuring a year's stability in Argentina. It is the opinion of the Government of the United States that the present situation in Argentina offers little hope for stability. Furthermore, there is a real danger that a continuation of present disturbed conditions might develop to a point where there would be very critical decreases in the export of foodstuffs from Argentina.

With reference to paragraph four of the *Aide-Mémoire* of October 12, it is regretted that the Governments of Great Britain and the United States apparently are not in complete accord regarding the seriousness of the political factor in the Argentine situation . . . If the consequence of failure to comply with the international obligations may be avoided by the plea of intervention, the realization of the purposes which have inspired the formation of the United Nations Organization must inevitably be seriously jeopardized.

As concerns deliveries to Argentina of rubber, fuel oil, and coal, the United States has complied with its commitments, while Argentina has not done so.

(a). Shipments of tires and synthetic rubber to Argentina are governed by the interim agreement between the United States, Brazil and Argentina.¹² Of the 3,000 tires to be supplied under this interim agreement, the unshipped balance on October 16 amounted to 400 tires, 36 X 8, and 605 tubes of various sizes. Under the interim agreement an initial quota of 1,000 tons of synthetic rubber was provided. Against this quota, 910 tons have been licensed and the initial shipment of several hundred tons reached Buenos Aires during September. On October 11, the Combined Raw Materials Board approved an additional allotment of 3,000 tons of synthetic rubber for the fourth quarter. Arrivals of synthetic to date have been sufficient to start the tire production program and, in any event, the commitments of the United States do not require deliveries of the entire amount before the end of the year.

(b). Approximate purchases under the fuel oil, vegetable oil agreement¹³ were equivalent in caloric value to 99,000 tons of fuel oil for the period between May 9 and September 5, 1945. Actual liftings of fuel oil for the same period were 109,000 tons. During the past 7 weeks additional fuel oil scheduled has kept ahead of linseed purchases.

(c). As of August 18, 1945, the United States agreed to supply 20,000 tons of coal per month to Argentina for the balance of 1945. Total coal licensed for Argentina from January 1 to October 4, 1945, amounted to 213,358 tons. The balance to be licensed amounts to 15,000 tons. Coal licensed has thus kept pace with the quota of 20,000 tons per month, which represents a reasonable allocation to Argentina in view of the domestic situation in the United States.

With regard to the *Aide-Mémoire* of October 23, the Government of the United States appreciates the cooperation of the British Gov-

¹² The agreement of May 2, 1945; see footnote 8, p. 555.

¹³ Agreement of May 9, 1945; Department of State Executive Agreement Series 495 or 59 Stat. (pt. 2) 1799.

ernment in opposing the supply to Argentina or to private Argentine firms of any arms or munitions of war or other goods particularly adapted for war-like uses. Licenses for the export from the United States to Argentina of all civil aviation equipment have been held pending in the hope that the British Government would agree to a parallel policy. It has been the view of the Government of the United States that it would be extremely difficult to prevent the Argentine Government and its armed forces from benefitting by the export of such equipment to Argentina. In view of the directive now adopted by the British Government, the Government of the United States will necessarily have to review all such pending licenses.

While the Government of the United States appreciates the very real and grave economic difficulties involved in an adequate supply of foodstuffs, it wishes to emphasize again the basic importance of the political factors in the Argentine situation which are so closely related to conditions which were responsible for the war and to remedy which Great Britain, the United States and its allies have made such tremendous sacrifices in life and resources.

WASHINGTON, November 15, 1945.

835.796/11-2145 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, November 21, 1945.

1647. Following release has been made to press with regard to United States policy on release of aviation equipment to authorized Argentine purchasers:

"The United States will release aviation equipment, including aircraft engines and personal and civilian type aircraft and parts, to authorized Argentine purchasers.

Export licenses so granted will be subject to the specific requirement that the equipment acquired will be used exclusively for civilian use in the development of private and commercial civil aviation in Argentina.

This action results exclusively from the progressive termination of war-time restrictions and is totally unrelated to any political considerations."

BYRNES

835.24/12-2945

Mr. Willard Thorp, Deputy to the Assistant Secretary of State for Economic Affairs, to Mr. Arthur Paul, Special Assistant to the Secretary of Commerce

WASHINGTON, December 29, 1945.

MY DEAR MR. PAUL: The rapid removal of war-time trade controls and the increased availability of goods and materials in the United States and other producing areas makes desirable at this time reconsideration of this Government's export policy towards Argentina. At the same time, however, it must be recognized that the political situation in Argentina remains critical, and the greatest care must be exercised to avoid any action or publicity which might be interpreted in Argentina or elsewhere as evidence of a shift in the political attitude of the Department toward the present regime. Having in mind also that unilateral economic sanctions will be ineffective under rapidly reviving post-war trade, it appears necessary to review the present policy in order to bring it as quickly as possible in line with prospective conditions of international competition.

Consistent with the foregoing, commodities still under allocation or other controls should be made available to Argentina on the same basis as that now being followed for the other American Republics. Furthermore, in specific instances, judged on their merits, additional supplies or materials may be made available in order to assure that Argentina produces and ships goods which are so urgently needed by our Allies.

It should be further understood in this connection that it is the Department's intention to assure at the same time, in so far as existing controls permit, that no economic assistance should be afforded Argentina which in effect lends direct support to the present regime, to Axis interests, or to the Argentine military or naval establishments.

The following specific suggestions may be of assistance to the Office of International Trade Operations in applying the policy outlined above and should be considered as superseding previous correspondence between the two Departments on this subject.

1. In order to permit the exportation to satisfactory purchasers in Argentina of civilian aviation equipment, and spare parts for the repair and maintenance of trainers and civil aircraft, export licenses may be issued for such commodities provided they are not for export to the Argentine military or to "cloaks" for the military.

2. Subject to the domestic supply situation it is the Department's desire that as much coal as possible be made available for Argentina so as to permit the exportation of such shipments as may be recommended by the American Embassy in Buenos Aires. It is suggested that consistent with the available port and shipping facilities in this country, unrestricted quantities of petroleum coke, slack coal, and

other grades of coal in free supply, be permitted for exportation to Argentina. The specific question of an increase in the coal quota will be covered in a letter to Solid Fuels Administration, copy of which will be sent to you.

3. Export licenses may be issued for capital equipment destined for Argentina provided such equipment is not likely to contribute directly to the Argentine armament industry . . . and provided such exportation is favorably recommended by the American Embassy in Buenos Aires or by the Department of State.

4. Export licenses may be issued for available surplus commodities to be shipped to satisfactory consignees in Argentina in line with the present practice of licensing surplus commodities for export to the other American republics.

5. Referring to recent communications from the American Embassy in Buenos Aires in regard to export license applications involving unknown consignees, you are informed the Department desires that the present procedure be continued and that such applications be referred to the Embassy for recommendation before corresponding export licenses are issued. The Embassy is being informed of the continuance of this procedure for the present, and it is contemplated that this question will be again reviewed in a month or two.

The Department also suggests that the following points in the present export policy toward Argentina be continued:

1. Argentina should be retained in Group E as defined in Current Export Bulletin No. 276 of September 10, 1945.¹⁴

2. Before approving export license applications covering proposed shipments to the Argentine armed forces, except materials essential to public health and safety, such applications should be favorably recommended by the American Embassy in Buenos Aires or by the Department of State.

3. No exports of 35 mm. raw film shall be permitted until further notice from the American Embassy in Buenos Aires or from the Department of State.

4. Before approving export license applications covering proposed shipments to Argentina of oil field drilling equipment, refinery equipment, or maintenance and repair parts for the oil industry, such applications should be favorably recommended by the American Embassy in Buenos Aires or by the Department of State.

Sincerely yours,

WILLARD L. THORP

¹⁴ Issued by the Requirements and Supply Branch, Bureau of Supplies, Foreign Economic Administration.

BOLIVIA

MILITARY COOPERATION AND LEND LEASE RELATIONS BETWEEN THE UNITED STATES AND BOLIVIA ¹

824.20111/1-2245 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, January 22, 1945—11 a. m.

[Received 11 : 24 p. m.]

91. Following a dinner given in General Brett's ² honor by President Villarroel Friday night the President invited me to accompany him, General Brett, and the Minister for Foreign Affairs ³ to another room for a conversation. When we had done so the President said that he had been very interested in statements made by the General before dinner regarding military topics which will come up at the impending conference in Mexico City ⁴ and would like to know more about the subject.

General Brett stated in reply that it was his understanding that there would be a military aspect to the discussions in Mexico City and that it had been rather definitely intimated to him that he would be designated to attend the Conference as a member of the American Delegation. He went on to say that it is felt, especially by himself, that in the application of the lend-lease policy to the supply of military equipment to the American Republics a haphazard procedure has been followed with the result that a disequilibrium between certain countries has resulted. That is to say, some countries have received for one reason or another, an abundance of military equipment, while others have received much less putting the latter at a possible disadvantage should any of the former entertain aggressive or threatening designs. He stated that one of the objectives of the staff conferences which he has just initiated at Santiago ⁵ is the correction of this disequilibrium. He pointed out, however, that the corrective processes would be so ap-

¹ For documentation on the general policy of the United States concerning continuance of armament distribution to the American Republics, see *Foreign Relations*, 1944, vol. VII, pp. 87 ff.; see also documentation on the inauguration of staff conversations and the determination of responsibility for negotiations on post-war defense in the Americas, *ibid.*, pp. 105 ff.

² Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.
³ Gustavo Chacón.

⁴ For documentation on this Conference, see pp. 1 ff.

⁵ For documentation on these conversations, see pp. 733 ff.

plied as not to constitute anything in the nature of an arms race but were the removal of an undesirable inequality.

THURSTON

824.20111/1-2245 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, January 26, 1945—8 p. m.

65. General Brett's statements to President Villarroel as reported in your no. 91, January 22, 11 a. m., are at once disturbing and at variance with the facts. While we do not wish to cause General Brett unnecessary embarrassment, the issue is such an important one that we cannot fail to correct the statements made.

Lend-Lease equipment has been supplied to promote hemisphere defense from aggression. No equipment shall be supplied for the local military or political convenience of any republic and no government should expect to receive Lend-Lease equipment to strengthen its political position vis-à-vis its neighbors. General Brett's statements concerning the military aspects of the conference at Mexico City are not relative to the agenda. The staff conferences such as the one now in process at Santiago do not go beyond the purport of the basic instructions on this subject of which you have received copies. Although at some later time there may be discussions concerning military equipment to be supplied by this government in one way or another, the General's statement that one of the objectives of the staff conferences is to correct disequilibrium in Lend-Lease deliveries is indiscreet and statements of this kind may lead to serious trouble for us and give countenance to rumors that we are building up certain key countries in the American republics at the expense of their neighbors.

Owing to the fact that you are on the ground and were present at the interview, the Department prefers to leave to your judgment how best to estimate and if necessary correct impressions made on President Villarroel. Nevertheless, the Department does desire you to seek an early interview with the President to make it clear to him (and in doing so with the minimum of embarrassment to General Brett) that the General was speaking entirely personally in the matter and not on the basis of complete information. An important point which we are certain you will bear in mind is that we do not wish to undermine the utility of the forthcoming staff conversations which will be held with Bolivia.

GREW

810.20 Defense/2-1645 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, February 16, 1945—8 p. m.

115. Reference Department's secret Circular Instructions of August 26, 1944,⁶ and January 16, 1945.⁷ It is agreed by the State, War, and Navy Departments that military staff conversations with Bolivia should start on March 23. Please consult the Foreign Minister and report to the Department whether that date is agreeable to the Bolivian Government.

Conversations in Bolivia will be under the supervision of General Brett. General Brett will get in touch with you directly concerning details of the conversations and will provide you with a pamphlet outlining the purpose of the conversations and topics to be discussed. Please transmit this pamphlet to the Bolivian authorities, unless you perceive objection to it, in order that they may be prepared in advance.

It is emphasized that the forthcoming staff conversations are entirely exploratory in nature, will involve no commitments by either party, and will be confined to technical military and naval discussions, not to include political matters.

GREW

810.20 Defense/3-2745

The Ambassador in Bolivia (Thurston) to the Secretary of State

[EXTRACTS]

No. 610

LA PAZ, March 27, 1945.

[Received April 7.]

Subject: Bilateral Military Staff Conversations; United States-Bolivia.

SIR: I have the honor to refer to the Department's confidential telegraphic instruction no. 115, of February 16, 8 p. m., and to report that the Bilateral Military Staff Conversations discussed therein were initiated in La Paz March 23, 1945.

General Brett and his party (somewhat changed as to composition) arrived at La Paz at midday March 22. I met them at the airport, and thereafter they called at the Embassy where a plan of procedure was discussed. This plan, submitted by General Brett in writing (a

⁶ Not printed.⁷ See circular telegram of January 10 to diplomatic representatives in certain American Republics, and footnote 1, p. 600.

copy is attached hereto⁸) seemed not to be in conflict with the statement of procedure enclosed with the Department's secret circular instruction of January 16, 1945 entitled "Proposed Bilateral Staff Conversations" and I accordingly expressed my approval of it. At the same time I stated to General Brett that no political matters should be dealt with in the Conversations and that I desired a daily written report of developments. (Department's telegram no. 115, February 16, 8 p. m.). General Brett agreed to both conditions, adding that any subject of a political nature introduced by the Bolivians would be referred to me.

Respectfully yours,

WALTER THURSTON

810.20 Defense/4-445

Minutes of the Eighth Meeting of the Air Committee⁹

LA PAZ, 30 March 45.

The eighth Air Committee Meeting of the Bi-Lateral Staff Conversations between Bolivia and the United States was held at 2:00 PM, at the Ministry of Defense Building, La Paz, Bolivia, 30 March 1945.

The Bolivian and American representatives proceeded with the final discussion of the Bi-Lateral Staff Conversations.

The Bolivian representatives furnished the final information which was pending to the American representative. This included the following required items:

Proposed Organization of the Bolivian Air Force
 Meteorology Equipment Needed by the Bolivian Air Force
 Communications Equipment Needed by the Bolivian Air Force
 Night Lighting Facilities Needed by the Bolivian Air Force
 Complete list of obsolete material now in possession of Bolivian Air Force

In addition, the Bolivian representatives furnished the American representative a list, which they stated were agreements that had been arrived at during these conversations. This list was read and translated to the American representative who commented on each request made therein. The requests in general were as follows:

- a. That the American Government assist Bolivia in obtaining aviation fuel until the oil fields located in Bolivia could be developed.

⁸ Not printed.

⁹ Copy transmitted to the Department with despatch 646, April 4, from La Paz, p. 565.

- b. That the American Government assist in establishing the Petroleum Industry in Bolivia.
- c. That the American Government assist and supervise in the construction of required air bases in Bolivia.

With no further business for discussion the final meeting of the Air Committee adjourned at 3:30 PM, 30 March 1945.

810.20 Defense/3-3145

The Ambassador in Bolivia (Thurston) to the Secretary of State

No. 632

LA PAZ, March 31, 1945.

[Received April 7.]

SIR: I have received the following memorandum from Brigadier General F. P. Hardaway who, since the departure of General Brett, has been conducting on our behalf the Bilateral Staff Conversations with the Bolivian Army representatives (Secret despatch no. 610, March 24 [27], 1945 entitled "Bilateral Military Staff Conversations; United States-Bolivia")—

"Secret.

"LA PAZ, Bolivia.
29 March 1945.

"The following questions of a political aspect were propounded by Lt. General Peña y Lillo at the meeting on 28 March and are herewith referred to His Excellency the American Ambassador.

"First question: Bolivia has contributed greatly to the war effort (for example, has suffered 50,000 casualties through stepped up production in the mines) but has not shared equally with other South American countries in receiving equipment. Will Bolivia share equally in the future?

"Second question: How soon may Bolivia expect to receive armament for one division?

"Third question: In connection with the army of Bolivia and the part it will play in hemispheric defense will the U.S. consider the economic condition of Bolivia and her ability to pay?"

"(s) F. P. HARDAWAY
F. P. Hardaway,
Brigadier General, U.S.A."

The Department will recall that in enclosure number four of the despatch cited another topic¹⁰ was disposed of by the participants in the conversations by reference to diplomatic channels.

While the procedure adopted at the meetings between our officials and those of Bolivia with respect to the subjects described in General

¹⁰ This topic took the form of a question as to whether the United States would aid Bolivia if that country were unable to fulfill her commitments toward contributing to hemisphere defense.

Hardaway's memorandum and in the despatch alluded to in the preceding paragraph appears to be irregular, it has seemed to me advisable to acquiesce in it. The Conversations have been marked by the utmost goodwill and frankness, and the deflection of so-called "political questions" toward the Embassy has enabled them to proceed without delays or disagreements. Should it be felt in Washington that these questions should be presented in a more formal manner it will of course be possible to arrange for such action. Otherwise, the Department may wish in due time to instruct me with respect to any replies or statements I should make regarding the questions posed.

Respectfully yours,

WALTER THURSTON

810.20 Defense/4-445

The Ambassador in Bolivia (Thurston) to the Secretary of State

No. 646

LaPaz, April 4, 1945.

[Received April 29.]

SIR: Supplementing earlier reports on the subject cited I now have the honor to forward herewith copies of the minutes of the fifth meeting of the Ground Forces Committee and the sixth, seventh, and eighth meetings of the Air Forces Committee of the Bilateral Military Staff Conversations.¹¹ It is my understanding that these minutes cover the concluding meetings between the American and Bolivian Military officials and that no formal closing or plenary session took place. General Hardaway and his companions left La Paz for Panama on the morning of April 2.

General Hardaway has informed me that among the developments during the Conversations which attracted his attention are the following:

that whereas at the beginning of the Conversations the Bolivian representatives stated that their military budget was approximately Bs. 265,000,000 a few days later they implied that they desired to operate on a budget of Bs. 500,000,000;

that a similar elevation of aim with respect to the Bolivian Air Force also took place, the last comment on this subject by the Bolivians indicating that they desire to utilize about 40% (Bs. 200,000,000) of the expanded budget for the Air Force;

that Bolivia desires now to establish and maintain four complete air squadrons;

that Bolivia desires us to equip for them one complete Division;

that the data submitted by the Bolivians appeared to be absolutely complete, revealing every factor affecting Bolivia's defense, and that this information was freely given to the American delegation without

¹¹ None printed except the minutes of the Eighth Meeting of the Air Committee. p. 563.

reserve, notwithstanding the fact that should it fall into the wrong hands the gravest consequences might follow; and finally

that without analyzing Bolivia's immediate and potential economic position some doubt had arisen in his mind regarding the ability of the Bolivian State to support the burden of the plans contemplated.¹²

Insofar as I could observe personally and as information subsequently received from others indicates, the utmost good will prevailed throughout the Conversations and the American delegates without exception conducted themselves in a manner to win the personal regard and respect of their Bolivian colleagues. The members of the American group were presented with gifts by the Bolivian Army prior to their departure, the principal officers were entertained by the President at a small dinner and other attentions of a like nature were bestowed. The night before his contemplated departure General Hardaway gave a dinner at the La Paz Club in honor of the Minister of National Defense¹³ and the principal Bolivian officers who had participated in the Conversations. It is a pleasure to record the foregoing and to express praise of our officers for their comprehension of the importance of the establishment and maintenance of proper personal relations.

Respectfully yours,

WALTER THURSTON

824.24/6-1945: Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, June 19, 1945—4 p. m.

[Received June 20—12:50 a. m.]

641. Col. Doleman¹⁴ states his opinion requested by Minister National Defense with respect manner the four C-47 military planes recently allocated this Govt. under Lend-Lease agreement may be utilized for accomplishment Govt.'s program transport beef from lowlands to La Paz market. Issues involved this plan concern opposition to it as commercial project on part of Panagra¹⁵ protégé Lloyd Aereo Boliviano, and general propriety of so employing lend-lease equipment.

In view obvious implications situation Col. Doleman intends bring matter attention General Brett at Panama. I should be glad receive instructions.

THURSTON

¹² For details of the plan submitted by the War Department, see telegram 690, October 25, 8 p. m., p. 569.

¹³ Col. José Celestino Pinto.

¹⁴ Col. Edgar C. Doleman, Chief of United States Military Mission in Bolivia.

¹⁵ Pan American Grace Airways.

S24.24/6-1945 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, June 30, 1945—3 p. m.

443. ReEmbs 641 June 19. Lend-Lease Act ¹⁶ states that items shall be transferred to other countries for the defense of the United States. While the Act has been liberally interpreted in the allocation of Lend-Lease to the other American republics, no interpretation of the Act could justify the use of Lend-Lease equipment for the transport of beef to La Paz. Planes in question were allocated to Bolivia on the basis of military necessity for the purpose of training Bolivian pilots. Diversion to commercial use in competition with established commercial airline thus not in accord with Lend-Lease Act or with specific justification for planes.

GREW

[Following the cessation of hostilities with Japan, notification was sent to Embassies of countries receiving lend-lease aid that lend-lease operations were being terminated. For text of note, see circular telegram of October 6, page 256. The note to the Bolivian Ambassador was dated September 28, 1945.]

S24.24/9-2945

The Ambassador in Bolivia (Thurston) to the Secretary of State

No. 1624

LA PAZ, September 29, 1945.

[Received October 10.]

SIR: I have the honor to refer to the Embassy's despatch No. 1206 of July 12, 1945,¹⁷ "Utilization by Bolivia of Lend-Lease Aviation Equipment in Operation Presumably Competing with Established Commercial Airlines," and the Embassy's telegram No. 641 of June 19, 1945 and to report that despite the fact that the opinion of the United States Government that Lend-Lease equipment was issued to Latin American governments solely for the defense of this hemisphere and, consequently, should not be utilized for other purposes, the Bolivian Army at the instigation of the Bolivian Development Corporation (notably the Agricultural Expert attached thereto, Mr. E. Reeseman Fryer) has proceeded with its plan and is now actually engaged in the transportation of beef from the lowlands to this city in the C-47 planes

¹⁶ 55 Stat. 31.¹⁷ Not printed.

granted the Army under the United States-Bolivia Lend-Lease Agreement.

I know of no manner in which the Embassy or even the United States Government can deter the Bolivian Army and Bolivian Government from continuing this operation. There appears to be nothing in the Lend-Lease Agreement which forbids the utilization of Lend-Lease equipment in any manner the recipient might find convenient, and moreover there is a strong likelihood that the Bolivian Government considers that in as much as it is expected to pay for material obtained under the Lend-lease Agreement, full title to such material passes to it with the concomitant right to employ it in such manner as it sees fit.

Respectfully yours,

WALTER THURSTON

824.248/10-345

The Bolivian Embassy to the Department of State

[Translation]

MEMORANDUM

1) In the month of January of the present year the Government of the United States in accordance with the terms of the Lend-Lease Agreement signed by the Government of Bolivia delivered four twin-motor Douglas C-47 military transport planes to the Bolivian Air Force.

These machines in accordance with the agreement and by subsequent clarification concerning their use in Bolivia are to be devoted exclusively to military transport, that is to say to the provisioning and moving of military personnel from the military centers of the Republic of Bolivia to their garrisons, located centrally or at the frontier, as well as to the solution of logistic problems of the School of Aviation of the city of Santa Cruz de la Sierra.

2) However, Bolivia being a poor country and consequently needing the maximum amount of aid from the central Government to solve all the problems relating to the higher cost of living, our Ministry of Defense in agreement with other governmental agencies and without diverting attention from the military needs, plans to use the system of air transportation provided by the twin-motored Douglas C-47's for providing consumer centers within the territory of the Republic with meat from the production centers. Concretely, it is planned to establish a regular transportation service for meat from the small town of Reyes located in northwestern Bolivia to the city of La Paz for the following reasons:

a) Because there is no commercial aviation company which has established an air route between the two above-mentioned towns.

Consequently there is no possibility of bringing competition to the aviation companies, national as well as international, established in the Republic of Bolivia.

b) Because it is a question of overcoming a condition of scarcity, which has become alarmingly acute especially in the city of La Paz, by means of aerial transportation with army planes.

c) Because it is a question of reducing the expensive and difficult importation of meat from the neighboring republic of Argentina, consequently improving commercial conditions in regard to this article in Bolivian territory, which will result in State protection for the domestic farming and livestock growing industry as well as bring about a considerable reduction in consumer prices in the city of La Paz, the capital and greatest population center of the Republic of Bolivia.

d) Because it is a question of obtaining the greatest possible amount of benefit from the aviation material, as well as fuel in the training flights and the formation of new crews. Scheduled flights as planned will not be engaged in for mere training but rather as a parallel consideration and will contribute to the solution of one of the many economic problems that afflict the Bolivian people at the present time.

e) Because, by this means it is a question of obtaining economic advantages to improve our air port installations and the maintenance of the aviation material.

3) As is apparent, this is a special case of the use of military planes in a country which by its geographical conformation as well as its difficult situation in regard to articles of vital necessity, has to solve a national problem without interfering with the interests of the civil aviation companies established in the country.

Therefore the Bolivian Government would very deeply and sincerely appreciate it if the Government of the United States, for the reasons explained, would make a special exception in regard to the use of military transport planes delivered to the Bolivian Air Force.

[WASHINGTON,] October 3, 1945.

800.24/10-2545 : Telegram

*The Secretary of State to the Ambassador in Bolivia (Thurston)*¹⁸

WASHINGTON, October 25, 1945—8 p. m.

690. Re Dept's circInstruction Sept. 11, 1945¹⁹ and enclosure. War Dept has submitted program designed to equip suitable initial ground force units envisaged in staff conversations.

Program for Bolivia, Paraguay provides equipment for one infantry battalion, one light field artillery battery comprising 624 and 121 men respectively. Equipment includes 799 carbines, rifles, pis-

¹⁸ This telegram was sent to the Ambassador in Paraguay as No. 335, October 25, 8 p. m., and repeated to the Ambassador in Bolivia as No. 690.

¹⁹ *Ante*, p. 249.

tols; 39 machine, sub-machine guns; 4 howitzers; 11 mortars. Larger programs for Chile, Peru, Uruguay, which are being approved, consist of similar equipment for one infantry regiment and one field artillery battalion for Chile, Peru; 2 infantry battalions and 2 field artillery batteries for Uruguay.

Dept has considered program for Paraguay, Bolivia from point of view of standardization program, possibility of countries obtaining equipment from non-American sources, budget requirements, status of Lend-Lease payments, internal political situation, but has withheld its approval pending receipt of your opinions and recommendations for your country based upon these considerations.

Dept also wishes your opinions and recommendations on War Dept program for aircraft, which includes, for Paraguay 8 B-25's (medium bombers), one C-47 (transport), 3 AT-11's (advanced bombing trainer); for Bolivia 15 P-47's (fighters), 4 C-47's, 3 C-45's (smaller transport). Dept has requested of War Dept further justification for these proposals in terms of units to be equipped. For Chile, Peru, Uruguay Dept is approving transfer of non-tactical planes (advanced trainers, transports) pending War Dept justification.

This matter should not be discussed with any representatives of the government to which you are accredited.

BYRNES

824.248/10-345

The Secretary of State to the Bolivian Ambassador (Andrade)

The Secretary of State presents his compliments to His Excellency the Ambassador of Bolivia and has the honor to refer to the Embassy's memorandum of October 3, 1945 relating to the desire of the Bolivian Government to use four twin-motor Douglas C-47 military transport planes, allocated to the Bolivian Government by the Munitions Assignments Board under Lend-Lease, for the purpose of transporting meat from the town of Reyes to the city of La Paz.

As the Embassy is aware, the subject planes were assigned for purposes of military training which would contribute to the defense of the Americas. The Department, therefore, is not inclined to the belief that the suggested use of this equipment for the foregoing purpose fulfills the provisions of the Lend-Lease agreement. However, for the reasons set forth in the Embassy's memorandum under acknowledgment and with the understanding that this is a special exception regarding the use of military transport planes delivered to the Bolivian Air Force under Lend-Lease and, further that it is understood this action shall not constitute a precedent with regard to the use of other Lend-Lease equipment, the Department interposes no objection to the

use of the subject aircraft for this purpose on an interim basis until such time as normal commercial facilities are in a position to undertake this operation on the following condition :

That the Bolivian Government formally acknowledges that the United States shall have the right to request the termination of the use of Lend-Lease aircraft in this operation upon a determination by the United States Government that the conditions of emergency as set forth in the Bolivian Embassy's memorandum no longer necessitate their use for the purpose mentioned.

WASHINGTON, November 13, 1945.

824.24/12-645

The Secretary of State to the Ambassador in Bolivia (Thurston)

No. 406

WASHINGTON, December 6, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Bolivian Embassy in Washington together with a copy of Statement LL-6,²⁰ showing charges made against the Government of Bolivia during the period from June 1, 1945, through August 31, 1945, for defense matériel transferred to Bolivia under the Lend-Lease Agreement signed on December 6, 1941.

It will be noted that the amount of charges made during the period under reference is \$157,793.11. The charges made through August 31, 1945 for all matériel transferred to Bolivia aggregate the grand total of \$5,461,451.79. Of this grand total the sum of \$992,000 represents the approximate appropriate percentage which is due on account from Bolivia. This includes the sum of \$964,000 now in arrears, payment of which was requested in the Department's note dated August 22, 1945.²¹

This Government will continue to maintain the policy of requesting reimbursement payments in accordance with the terms stipulated in the Lend-Lease Agreements with the various American republics.²²

Very truly yours,

For the Secretary of State:

WILLIAM L. CLAYTON

²⁰ Neither printed.

²¹ Not printed, but see footnote *infra*.

²² In a note of February 3, 1945, to the Bolivian Ambassador, the Secretary of State indicated that the amount of reimbursement due was \$542,000 and payment was requested (824.24/1-645). The Acting Secretary of State in a note of May 18, 1945, informed the Ambassador that the grand total of lend-lease charges for matériel transferred to Bolivia was \$3,612,400.13 and that of this amount Bolivia owed \$656,000 (824.24/5-1845). Again, in a note of August 22, 1945, the Secretary indicated that Bolivia was in arrears to the extent of \$964,000 for matériel valued at \$5,303,658.68, through May 31, 1945 (824.24/8-2245). The Ambassador in Bolivia reported in his despatch 1529, September 10, 1945, that Bolivia planned to pay \$300,000 for 1945, \$500,000 for 1946, and \$500,000 for 1947 (824.24/9-1045).

EFFORTS OF THE UNITED STATES TO COUNTERACT AXIS ACTIVITY
IN BOLIVIA

[1. For previous documentation on efforts of the United States to control Axis financial transactions in Bolivia, see *Foreign Relations*, 1944, volume VII, pages 514 ff. In telegram 368, May 30, 1945, the Embassy at La Paz was instructed that it might discreetly inform the Bolivian Government that an Export-Import Bank Loan for replacing Axis firms was no longer to be expected and that the desired result could be achieved instead by expropriation of Axis properties with compensation to former owners (740.24112 RP/5-2245). In despatch 1619, October 1, the Ambassador in Bolivia (Thurston) reported that the "discussions regarding expropriation and replacement of Axis firms in Bolivia proceeded with a great deal of emphasis upon financing of the project", and that the Embassy "with some apparent success" had impressed the Minister of National Economy, Jorge Zarco Kramer, with the view that "external aid may not be required in view of the interest manifested by several Bolivian firms" in purchasing Axis spearhead firms and also that, since the Bolivian Government had previously "failed to proceed with expropriation, the United States Government had been compelled to withdraw its offer of financial assistance." The Embassy undertook, however, to convey to the Department of State a Bolivian request for financial assistance whenever it became convinced "that local capital could not be obtained and that the Bolivian Government cannot finance the program from its funds" (740.24112 RP/10-145). Then in telegram 1034, October 10, 1945, 4 p. m., the Ambassador reported that the "Bolivian Government now appears disposed to carry through Axis replacement program" (740.24112A/10-1045). In despatch 1861, November 21, the Embassy further reported that proposals to use blocked Axis funds for public works were "in no way interfering with the present rapid pace being maintained in Bolivia at this moment in replacing Axis spearhead firms" (824.5151/11-2145).

2. Informal representations were made to the Bolivian Government during 1945 against allowing Major Elías Belmonte Pabón, who had been Bolivian Military Attaché in Berlin, to return to Bolivia from Spain or to continue to use a diplomatic passport. For further information regarding Major Belmonte, see Department of State, *Consultation Among the American Republics With Respect to the Argentine Situation* (Washington, Government Printing Office, 1946), pages 20-22.]

EXTENSION OF CONTRACTS FOR PURCHASE OF STRATEGIC GOODS
BETWEEN THE UNITED STATES AND BOLIVIA²³

103.9169/1-945 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, January 9, 1945—11 a. m.

[Received 5 : 14 p. m.]

40. I direct the Department's urgent attention to the telegram (No. 38 of January 9)²⁴ being sent today by the local FEA²⁵ representatives to Crowley²⁶ and Gardiner²⁷ through the Department.

It is my understanding that it is recognized in Washington that a question of major policy is involved in the arrangements whereunder we have been obtaining strategic materials from Latin America at prices largely controlled by ourselves. The abrupt, *ex parte*, cancellation of those arrangements or arbitrary reduction of prices cannot but disturb the economies of the countries concerned, provoke resentment, and ratify the suspicion that a large part of our good neighbor policy, at least in its economic aspect, is simply a matter of expediency or at best limited to the duration of the war pressure.

THURSTON

103.9169/1-945 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, January 23, 1945—7 p. m.

57. Your no. 40 January 9, 11 a. m. The Department agrees that there is an obligation on the part of this Government not to penalize other countries for cooperating in the supply of strategic materials by abruptly changing the terms of its purchases in such fashion as will react adversely upon their economies. However, the Department understands from your telegram no. 38 of January 9²⁸ that, if this Government now discontinues purchases of QS²⁹ bark, the Bolivian producers will be able to sell that bark to friendly neighboring countries at prices equal to or better than are now being paid. In such case, the Bolivian economy would not be injured by our discontinuance of these purchases.

²³ For previous documentation on procurement of strategic materials by the United States, see *Foreign Relations*, 1944, vol. VII, pp. 473 ff.

²⁴ Not printed.

²⁵ Foreign Economic Administration.

²⁶ Leo T. Crowley, Foreign Economic Administrator.

²⁷ Arthur Z. Gardiner, Director, Foreign Procurement and Development Branch FEA's Bureau of Supplies.

²⁸ Not printed.

²⁹ Quinine sulphate.

Your attention is invited to the confidential telegram³⁰ on this subject from Crowley, Gardiner and McDermott³¹ for Wynn and Lucia³² that is going out simultaneously with this one. It is based on the assumption that the proposed action will not injure the Bolivian economy or penalize Bolivia for its cooperation in supplying materials needed for the war effort. If you believe this assumption to be wrong, or have any other reason for doing so, you should instruct the FEA representative to defer any action indicated by the telegram pending the receipt of further instructions.

In any case, please report fully on the situation as you see it for the guidance of the Department.

GREW

811.20 Defense (M) Bolivia/3-1045

The Secretary of State to the Bolivian Ambassador (Andrade)

WASHINGTON, March 24, 1945.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's communication of March 10, 1945,³³ referring to the signature on March 3, 1945, of an amendment to the existing contract for the purchase of tin produced in Bolivia.

The Government of the United States has taken note of the assurances offered by the Administrative Branch of the Government of Bolivia that the purpose of this amendment is to maximize the production of tin, taking into account the interests of the respective governments, of the workers in the Bolivian mines, and the producers; and that the Administrative Branch of the Bolivian Government does not intend to impose or encourage the imposition of any charges in such a manner as to reduce or prevent the production, transportation, or exportation of tin under the amended contract.

Finally, it is the understanding of the Government of the United States that as provided for in the exchange of notes between the Governments of the United States and Bolivia on June 29, 1942,³⁴ the Bolivian tin producers may continue to make available to purchasers in Chile not more than twenty-five tons of fine tin monthly.³⁵

Accept [etc.]

For the Secretary of State:
NELSON A. ROCKEFELLER

³⁰ Telegram 58, not printed.

³¹ P. A. McDermott of the Foreign Economic Administration.

³² FEA representatives in La Paz.

³³ Not printed.

³⁴ For text of Bolivian note, see *Foreign Relations*, 1942, vol. v, p. 547.

³⁵ In its turn, the United States agreed to continue the war-time purchasing of tin.

102.8951 : Telegram

The Secretary of State to the Ambassador in Bolivia (Thurston)

WASHINGTON, April 19, 1945.

265. For Rubber Development Munro³⁶ from Truslow.³⁷ RDC rubber agreement with Bolivia terminates December 31, 1946. No formal agreement has yet been reached on the 33½ per cent price premium. Agreements with Banco Agrícola also terminate December 31, 1946.

[Here follow, *mutatis mutandis*, paragraphs which are the same as telegram 1000, April 19, to Rio de Janeiro, page 704, beginning with second paragraph.]

A similar proposal is being presented to each other American country participating in rubber program. [Truslow.]

STETTINIUS

824.6176/5-445 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, May 12, 1945—8 p. m.

324. Dept. and RDC have conferred concerning your 479 May 4³⁸ and previous.

1. Bolivian agreement is one in framework of sixteen similar agreements resulting from Rio Conference³⁹ and essential to common war effort. Bolivia receives as advantageous treatment as any and additionally has exceptional right to export 250 tons. It exercises this by selling at high prices to Argentina.

Vital necessity for rubber undiminished by victory in Europe. Extension offered to obtain maximum 1946 production. Unless accepted promptly, offer may be withdrawn as usefulness may be lost.

2. No change in established prices or export quota can be considered. Contrary to impression La Paz attempting create, RDC advises producers not dissatisfied with present prices. Bolivian Govt. unlike others has increased rubber export duties thereby reducing producers net. Under precise application of rubber agreement, Bo-

³⁶ H. H. Munro, Special Representative of the Rubber Development Corporation in Bolivia.

³⁷ Francis A. Truslow, President of the Rubber Development Corporation.

³⁸ Not printed; in the Ambassador reported that the Bolivian Congress might reject extension of the rubber agreement, and that the Bolivian President felt that his problems were not receiving adequate attention in Washington (824-6176/5-445).

³⁹ For documentation on the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

livia's export quota would have been about 160 tons annually instead of 250 tons. RDC has applied the maximum quota from start in attempt accord Bolivia most liberal treatment.

3. Bolivia has pledged to US its entire export tonnage of rubber, except maximum hold-back of 250 tons. Bolivia has obvious duty prevent illicit export violating this pledge. Despite duty Bolivia has permitted smuggling to continue and admits military elements in own Govt. have been permitted to accept bribes to allow shipment contraband. Although duty police smuggling is Bolivia's, RDC agreed to aid by providing funds for conduct special enforcement.

4. Anti-smuggling decree as signed differs materially from that agreed by RDC as a basis for RDC grant of funds. However, RDC representative authorized disburse to Bolivia agreed funds for enforcement if in your opinion this is best decree obtainable and Bolivia intends to enforce it.

5. RDC has attempted for 2 years to establish the basis on which volume premium payments will be made either to Bolivian producers or to Bolivian Govt. for development purposes which alternatives are contemplated in rubber agreement. Clear agreement not reached. RDC's representative has been authorized to pay these funds to Bolivian Govt. provided Bolivia recognizes that they are payments on account of Development Fund⁴⁰ and are to be used for RDC-approved development projects. Alternatively RDC willing pay over to Govt now subject to clear understanding with Bolivia that later diplomatic negotiation will determine chargeability Development Fund (our 141, March 1⁴¹). We request your recommendation whether this negotiation should be concluded in La Paz or Washington.

6. Terms of rubber agreement clear concerning purposes for which the Development Fund to be expended. RDC expenditures for developing immediate rubber production through roads, transport, health, supplies and production loans at a loss and for similar projects are development expenses and have been so accepted by other countries. These expenditures and deductions for volume premiums and for allowances for Bolivia's export rubber as provided in contract are chargeable against the Development Fund. Fund has not been and will not be otherwise depleted.

7. Brazil, US, Argentina have concluded agreement providing for integrating Argentina into system of rubber conservation and control.⁴² Argentina pledged itself to stop rubber contraband. This

⁴⁰ The Rubber Agreement of July 15, 1942, provided a development fund of \$2,125,000 for extension of rubber production, including auxiliary services in the fields of health, sanitation, and communication.

⁴¹ Not printed.

⁴² Department of State, *Treaties and Other International Acts Series No. 1542*, or 60 Stat. (pt. 2) 1821.

agreement does not contemplate increased shipments natural rubber to Argentina. However, if additional natural rubber were necessary and possible to supply it would be made available to Argentina at prices not higher than RDC agreement prices in view of price control provisions in tripartite agreement. Neither Dept nor RDC concurs in suggestion paragraph 5 your 412 Apr 13⁴³ that additional tonnage be allowed Bolivia for export Argentina.

8. Both Dept and RDC have always been willing discuss with Bolivian officials operating questions and matters of interpretation arising under rubber agreement. Refer notes on RDC Washington conference Jan. 24 with Moreno.⁴⁴ However Dept and DRC have consistently refused consider basic changes rubber agreement. (Our 974 Sept 28, 1944)⁴⁵

Understand foregoing are principal items raised by Bolivia. Present to Bolivian Govt Dept's position on these as above. Represent also to Govt firmly:

1. We and Bolivian Govt bound to full discharge of mutual obligations stated in rubber agreement.

2. Rubber agreement not commercial transaction but essential inter-governmental agreement necessary to accomplishment of war.

3. Failure to observe and implement rubber agreement would constitute a serious impediment to our joint war effort.

Dept believes issues result from Bolivia's desire avoid obligations it has assumed under rubber agreement. Take firmest possible position since Bolivia's attitude this matter may affect not only relations with Bolivia but also stability of entire structure for procurement in Hemisphere of this most critical commodity.

Truslow prepared visit La Paz as suggested. Dept believes basic issue is whether or not Bolivia intends fulfill its obligations and on this issue compromise or negotiation inadmissible. Awaiting your further advice before requesting Truslow proceed.

GREW

102.8951 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, June 14, 1945—7 p. m.

407. For RDC Munro from Truslow. You are requested to take the following position urtel 595 June 9,⁴⁵ re extension of the rubber agree-

⁴³ Not printed.

⁴⁴ Presumably Gonzalo Romero, a director and Acting General Manager of the Bolivian Development Corporation.

⁴⁵ Not printed.

ment and are authorized to negotiate a solution of all open Development Fund problems at one time within the following limits:

1. We are unwilling to make any concessions or accept any conditions to obtain extension of the rubber agreement. If our offer to extend is not formally accepted by Bolivia during June we must reconsider and possibly withdraw it for further study next year.

2. We are willing to settle all open points with regard to Development Fund as follows:

First: We believe rubber production loans are essential part of development program. We recognize Bolivia did not have opportunity to scrutinize loans because of need they be made promptly. We are willing to agree that losses on past loans will be chargeable to Development Fund only to extent of \$200,000 maximum which is about 10 per cent of total loans provided losses on loans made hereafter are chargeable to Development Fund if loans are approved by Bolivia.

Second: Premium monies paid to Bolivia will be deducted from the Development Fund, but will be available for projects as indicated in paragraph 3 and 4 following.

Third: Expenses incurred so far for projects listed Class II your letter March 2, 1945⁴⁶ and expenses in completing these projects as well as grants to CIAA⁴⁷ for health work and for other specific projects approved by Bolivia are chargeable to Development Fund.

Fourth: Sanjines lease expenses will be waived and not deducted.

Fifth: Contingent \$180,000 due from Banco Agrícola will be deducted until Banco makes payments claimed which it is able to do out of profits on Argentine sales.

Sixth: Deductions provided in agreement on export quota shipments will be made.

3. Under above settlement approximately \$900,000 will become available through Development Fund and premium monies for road, airport, health, and other projects in rubber regions in addition to projects now undertaken.

4. Specific road, airport or other projects in rubber regions submitted by Bolivia and recommended by you will be given prompt consideration by our Board where Development Funds required but do not require action of our Board where then earned premium monies are used by Bolivia.

Above position on extension agreement must be maintained.

If above settlement of all Development Fund questions not acceptable in your opinion and that of Ambassador suggest you present only extension position and advise open questions under Development Fund will be discussed in my visit July 2. [Truslow.]

GREW

⁴⁶ Not printed.

⁴⁷ Coordinator for Inter-American Affairs.

824.6345/6-1445

*Memorandum of Conversation, by the Assistant Secretary of State
(Rockefeller)*⁴⁸

SAN FRANCISCO, June 14, 1945.

Participants: The Secretary
Victor Andrade, Ambassador of Bolivia
Nelson A. Rockefeller

The meeting was called at the request of Ambassador Andrade. The Ambassador explained to the Secretary that he was very concerned about the question of renewal of the tin contract which was to expire at the end of June. He pointed out to the Secretary that the economy of Bolivia depended upon the exportation of tin and that the social stability of the country, as well as the political stability, was closely related to the production of this metal from three large mines.

The Ambassador explained that his country was anxious to develop certain long-range economic and social programs, but that as the Government's revenue was dependent, to a large degree, upon the income derived from taxation of earnings of the tin companies, unless these purchase contracts for tin were renewed for a period of two or three years, it would be impossible for them to make plans. He further stated it was particularly important at this time that such a program be worked out because Bolivia could not count indefinitely on tin to support her economy and that the country was anxious to open up the interior, particularly Santa Cruz, thus completely reorienting the economic structure of the country. He stated that this must be done as rapidly as possible in order to avoid a crisis which might come if the demand for tin dropped prior to the completion of these preparations.

The Secretary was most sympathetic of the Ambassador's point of view and stated that he could count on his support in this matter. He dictated in the Ambassador's presence a wire to Acting Secretary Grew, a copy of which is attached.⁴⁹ The Ambassador was most appreciative.

NELSON A. ROCKEFELLER

⁴⁸ Mr. Rockefeller and the participants listed below were attending the United Nations' Conference on International Organization held at San Francisco, April 25-June 26, 1945; for documentation, see vol. I, pp. 1 ff.

⁴⁹ Telegram 4, June 14, 1945, not printed; in it the Secretary emphasized the desirability of extending the tin contract for as long a period as possible (824.6354/6-1445).

102.8951 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, June 15, 1945—6 p. m.
[Received June 16—2:51 a. m.]

629. Truslow, RDC, from Munro. Your 393, June 10.⁵⁰ Results of cordial 5-hour conference which Ambassador and I held yesterday with President ⁵¹ and Minister Agriculture ⁵² are as follows:

1. Exports of manufactured rubber goods—since domestic market not large enough for operating factory efficiently President anxious begin exporting manufactured rubber goods. Such exports to be above 250 quota contracted to Argentina already. Desires also installation tire plant to insure utilization Bolivian rubber.

2. Extension of contract—President stated present negotiations by Bolivia with commercial representatives of three adjoining countries to secure 2 to 3 year rubber contract beginning January 1, 1947 which would be more advantageous than RDC contract. Consequently Bolivian Govt. not willing make extension without improvement of conditions present contract.

3. Volume premiums—Section 4 rubber agreement says President clearly states premiums “may be” not “shall be” deducted from unexpended balance of development fund. He strongly objects this deduction.

4. Development fund—President insisted balance of development fund except deductions specified section 7 of agreement and disbursement trade to date be made available to Govt. for RDC expenditures in rubber producing areas.

President stated when Congress convenes August 6 Govt. will be severely criticized and must offer satisfactory answers to questions on rubber contract. Considering difficulties mentioned recommend you visit Bolivia in July. This cable approved by Ambassador. [Munro.]

THURSTON

811.20 Defense (M) Bolivia/6-1645

The Assistant Secretary of State (Clayton) to the Foreign Economic Administrator (Crowley)

WASHINGTON, June 28, 1945.

DEAR LEO: With further reference to the telephone conversation between Acting Secretary Grew and yourself on June 16, the subject of renewal of the tin purchase contract with the Bolivian producers has been under discussion between representatives of the Foreign Economic Administration and the Department during the past ten days. The

⁵⁰ Not printed.

⁵¹ Maj. Gualberto Villarroel.

⁵² Julio Zuazo Cueva.

Department has indicated to the representatives of the Foreign Economic Administration, in particular Mr. Scheuer⁵³ and Mr. Gardiner, that, as there seems to be general agreement with respect to a continuing demand for Bolivian tin for at least one year and possibly a year and one-half or two years, it would be advantageous in the national interest to extend the tin purchase contract with Bolivian producers for one year. The Foreign Economic Administration representatives have agreed in principle to the extension of the contract for one year with a six months' option for renewal.

The Department has taken the position that, although negotiation of price is the responsibility of the Foreign Economic Administration, whatever cut-back in price is agreed upon should be in conformity with Resolution XXI of the Final Act of the Inter-American Conference on Problems of War and Peace held at Mexico City February-March 1945.⁵⁴ The Department has been informed by Mr. Gardiner that the Foreign Economic Administration wishes to negotiate a contract which would reduce the price paid for Bolivian tin ores from the present price of 65 cents per pound to 55 cents within a six months' period, on the basis of a year's contract, during which reductions from 65 cents to 55 cents would be carried out every two months during the first six months of the contract, the price during the second six months to be at the average world price or the highest price paid to any other country.

Reviewing the criteria established in Resolution XXI referred to above, specifically paragraph 2 (a), it would appear that the reduction contemplated by Mr. Gardiner runs counter to both the spirit and letter of the commitment entered into by this Government at Mexico City. It will be recalled that the resolution under reference was cleared with the representatives of the Foreign Economic Administration on the American delegation who contributed most constructively in the drafting of the resolution.

Under the terms of the tin contract which expires June 30, 1945, this Government has been purchasing Bolivian tin concentrates at 63½ cents per pound, plus one and one-half cents bonus on smelting charge deductions, f.a.s. West Coast ports. The Department is fully in accord with the principle that, in accordance with the terms of Resolution XXI of Mexico, there should be an orderly reduction of our purchase program of strategic materials for war so that the other American

⁵³ Sidney H. Scheuer, Executive Director, Bureau of Supplies, Foreign Economic Administration.

⁵⁴ For text of Resolution XXI, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 61. For documentation on this Conference, see pp. 1 ff.

republics which are producers of such materials may as rapidly as possible place themselves in a position to re-establish normal commercial trade in these commodities.

The Department feels that, in view of the continuing demand for tin for the war effort and the importance of continued access to the Bolivian ores at this stage in the prosecution of the war, it would be desirable both from the point of view of securing a strategic war material which is critically needed and from the point of view of carrying out the commitment entered into at Mexico that the reduction in the price of tin be along the following lines:

90 days at present price, which is equivalent to 65 cents per pound.

90 days at 63½ cents.

90 days at 62 cents.

90 days at 60 cents.

Prices to be on present basis, which is f.a.s. West Coast port.

Option for year: Six months at 57½ cents; six months at average world price.

If you concur in the above suggestion, may I suggest that an early meeting be scheduled with the representatives of the Bolivian Government in Washington and, as has been the case in the past, with representatives of the Bolivian tin producers with whom the contract is to be negotiated.

Sincerely yours,

WILLIAM L. CLAYTON

811.20 Defense (M) Bolivia/7-1145: Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

[Extract]

LA PAZ, July 11, 1945—11 a. m.

[Received July 12—5:01 a. m.]

714. Urtel 460, July 7.⁵⁵ On assumption that Dept. and FEA have carefully analyzed tin stockpile position in adopting price schedules which might reasonably be expected cause suspension of production in certain marginal mines, following comment submitted:

2. Preliminary recommendations are offered:

1. That no new contract regardless of price schedules be signed until satisfactory assurances received that Americans in mining districts shall be given fullest protection.

2. That negotiation of contract be utilized to obtain some *quid pro quo*. Bolivians might reasonably be expected agree fulfill certain long standing obligations, such as curtailing rubber smuggling and imple-

⁵⁵ Not printed.

menting commitments concerning replacement Axis firms and enemy owned trademarks. See des. 1145, July 3.⁵⁶

Embassy's conclusions are that adoption of FEA schedule would probably launch Government on intervention program and seriously disturb precarious balance in which economic and social stability of country now rest. It might leave United States open to charge that once war was over we were willing disrupt Bolivian economy. Conservation elements of country would blame us for permitting what they regard as undemocratic government increase hold over country. It would furthermore not necessarily cause present Government to fall but might temporarily strengthen it until a time when country's essential industry would probably be in condition approximating chaos.

It is possible, however, that internal economy might make readjustment to Department's suggested schedule and is believed desirable make reductions from former prices in order prepare way for post war conditions. As compared with FEA schedule it is recognized this adjustment merely one of degree but is safe predict that process would be attended with fewer repercussions. If such adjustment were made a further adjustment to world price of tin would be easier to accomplish at later date and would go far to relieve us from charge of abandoning Bolivians instead of guiding them through difficult adjustment is [*in*] gradual stages. It should, however, be pointed out that the more stabilizing effects of higher prices of Department's proposed schedule might be nullified if they were to be utilized by Bolivians to impose additional production costs on tin industry to meet increased wages, additional social programs, or higher taxes. It is belief of Embassy that this trend continues despite fact that Bolivian Government agreed during last tin negotiations not to increase production costs. In this connection it might be advisable inform Bolivians frankly regarding our stockpile position and our tin requirements as official attitude here is that we need tin badly and will continue to for at least 2 more years.

Urtel 369, May 31 and A-210, June 18.⁵⁷ Since understood Ramsey⁵⁸ will be ordered Department for consultation September, he might advantageously be called for consultation now in connection with tin negotiations. As Minerals Reporting Officer he possesses intimate knowledge of situation and is conversant general political and economic situation. Scott and Renick⁵⁹ of FEA concur.

THURSTON

⁵⁶ Not printed.

⁵⁷ Neither printed.

⁵⁸ Henry C. Ramsey of the Embassy staff.

⁵⁹ Denis K. Scott and Abbott Renick, Foreign Economic Administration representatives in La Paz.

824.6354/8-645

*Memorandum of Conversation, by Mr. Henry C. Ramsey of the
Division of North and West Coast Affairs*

[WASHINGTON,] August 6, 1945.

I called on Ambassador Andrade by appointment this morning to pay him my personal respects and to wish him well on the Bolivian Independence Day (August 6). After the initial pleasantries and some conversation regarding mutual friends in Bolivia, he spoke, virtually without interruption, for the better part of two hours on what he conceived to be his mission to the United States and what he conceived to be our obligations to Bolivia. The bulk of his discourse centered on the pending tin negotiations, what he hoped would eventuate therefrom, and what, in connection therewith, he hoped to be able to persuade officials of the Department. I confined my role to that of a passive listener and only occasionally asked a question for the purpose of eliciting a more pointed or direct statement of opinion on his part.

Ambassador Andrade's salient points were:

1. He and his Government are very disappointed with the terms of the proposed tin ore purchase contract⁶⁰ handed to the Commercial Attaché (Mr. Rovira) and representatives of the Bolivian producers on July 23 by Dr. Bateman⁶¹ of the U.S. Commercial Company and Foreign Economic Administration. Although he has not received a detailed response from his Government on its reaction to the proposed contract, he has received a cable which states that the price schedules in the contract are deemed to be unacceptable. He does not expect to receive a detailed response from the Bolivian Government for a week or so because he was compelled to mail the contract (it was too long to cable) and, presumably, the Government's response will also be sent by mail.

2. He will travel to New York on August 7, in company with Mr. Rovira, to meet all representatives of Bolivian producers who are signatories to the contract. His purpose will be to persuade the producers to prepare a joint protest to the proposed contract and to submit it to the USCC and FEA as promptly as possible. Thereafter, and after he receives the reaction of his Government, he will lead the

⁶⁰The Embassy had been informed in telegram 499, July 25, 5 p. m., that the Foreign Economic Administration offered a contract with the following price schedule:

July 1 through September—63.5 cents
October 1 through December—62 cents
January 1 through March—60.5 cents
April 1 through June—58.5 cents

The contract was offered on a "take it or leave it" basis. (103.9169)

⁶¹Alan M. Bateman, Assistant Director, Foreign Procurement and Development Branch, Foreign Economic Administration.

producers in making counter proposals. He will attempt to persuade the producers to ask for a two year (or preferably 3 year) contract at the present price of US \$0.635 a pound fine (plus US \$0.016 smelter rebate) f.a.s. west coast ports. He believes that the producers will join in such a counter proposal and stated that whereas last year there was some friction between the producers and himself, such has been repaired and that, furthermore, there is a substantial unanimity of point of view among the producers. He indicated that the counter proposal of the producers might be expected within a reasonably short period of time.

3. He very frankly deprecated the manner and attitude in which the proposed contract had been handed to Mr. Rovira and representatives of the producers by Dr. Bateman and other officials of the FEA and USCC. He said that an attempt had been made to "dictate the price" without consulting the Bolivian point of view. He added that he felt the FEA officials had been unnecessarily harsh in making such statements as "take it or leave it" and "the honeymoon is over". He mentioned that he had discussed this point with Mr. Rockefeller (see Mr. Rockefeller's Memorandum of Conversation with Ambassador Andrade dated July 25, 1945.⁶²) and had also mentioned it to Senator Connally and Senator Vandenberg.⁶³ He stated that each of these gentlemen had been shocked that an agency of the United States Government should resort to such dictatorial methods so soon after the San Francisco Conference in which, according to Ambassador Andrade, the small nations had won the substantial battle of freedom of discussion on controversial subjects.

4. He then talked at length of why it would be unjust, from his point of view, and unwise from our point of view, to reduce the prices of tin at this moment. From his point of view, it would be unjust to reduce tin prices for the following reasons:

a) The world tin price is a controlled price and would be much higher than US \$0.65 (the effective price now paid for Bolivian tin) if all controls were removed. FEA officials had admitted to him that if controls now governing the price were removed, the price might increase to more than US \$1.00 a pound fine. Under such circumstances, it was unjust not to permit Bolivia to sell its tin for at least US \$0.65 a pound fine.

b) The United States is badly in need of tin and the WPB ⁶⁴ admits such fact. Nevertheless, the USCC and FEA are seeking to take advantage of Bolivia because it believes that tin will be in more ample supply within the year and after the reopening of the Malayan de-

⁶² Not printed.

⁶³ Senators Tom Connally and Arthur H. Vandenberg, of the Senate Foreign Relations Committee.

⁶⁴ War Production Board.

posits. But until the Malayan deposits are reopened and until the United States begins to receive Malayan tin, there is no justification for reducing prices paid for Bolivian tin. Because we anticipate increased supplies within the year at lower prices does not justify reduction of the Bolivian price before such supplies eventuate. Ambassador Andrade stated that in his opinion tin will be scarce for at least four years. He likewise discounts the availability of dredges in Australia or elsewhere to dredge Malayan tin immediately after the Straits are reconquered.

c) Bolivia cannot reasonably be expected to reduce production costs until its economy is diversified and made more self-sufficient through completion of the program of the Bolivian Development Corporation. This will take a minimum of three years. During this transition period, the United States should maintain the price of Bolivian tin. Unless such is done, Bolivia may have to be written off as a wartime casualty. The Ambassador did not foresee the possibility of the Bolivian Government's reducing taxes or depriving the mining workman of recently conferred social benefits and wage increases. These social benefits and wage increases, he said, had been conferred in order that Bolivia might perform satisfactorily under the previous tin ore purchase contract; unless such benefits had been granted the workmen would have been guilty of such disturbances as to diminish tremendously the production of tin. Although he would be against such a step, the only alternative open to the Government, in the event a decrease in the price of tin should require certain mines to suspend operations, would be to nationalize such mines. He said that in his opinion this would be a mistake, as the Government could not be expected to operate the mines successfully for more than two years, but it would be the Government's only way out of a difficult crisis. And after the Government had completed its experiment in nationalization, the country would be in a more chaotic condition than ever and without any reasonable likelihood of rapid recovery because its external credit would be destroyed and it would be unable to negotiate for loans of the type which the Export-Import Bank has placed at the disposal of the Bolivian Development Corporation. He said it was his mission in the United States to persuade the Department that Bolivia must be saved from such a catastrophe, that the price of tin must be sustained until the program of the Corporation is completed, that thereafter the tax burden on tin may be reduced and Bolivian tin may be able to compete in the world markets, and that Bolivia's strategic location in South America justifies the United States' underwriting her economy in order to preserve it. In this connection, he said he would consider his mission as Ambassador a failure if he secured a US \$0.70 price for tin and nothing else; he added that the important thing was to remove Bolivia from a sole dependence on tin as such was always pregnant with danger.

He stated that reduction of the tin price at this time was, he believed, unwise from our point of view for the following reasons:

a) In view of the facts that an uncontrolled world price for tin would exceed what we now pay for Bolivian tin and that the United States needs tin badly, the reduction could only be interpreted as a

form of economic sanction against his Government. Certain Bolivian producers are already spreading such a rumor, particularly the Hochschild interests. This would be unfortunate, since the Bolivian Government has given us 100 per cent cooperation, particularly in international matters.

b) It would create an economic crisis of the severest proportions and very probably set the stage for a nationalization of the mining industry. The Ambassador thought the latter would end in failure and that it was in our long range interests to assist Bolivia in stabilizing and diversifying her economy instead of undermining it at this crucial transition point. He pointed out that unless the tin price were maintained the country would be without resources to repay the Export-Import Bank credits to the Bolivian Development Corporation, that the program of the latter agency would no doubt be curtailed if Bolivia evidenced an inability to repay the loans, and that such would mark an end to all possibility of Bolivia's solving her internal problems. On the other hand, if the price of tin were maintained, the Corporation's program could be completed, the tax system could gradually be altered in a fashion designed to assist the mining industry, and the country could emerge as a diversified and largely self-sufficient economy which did not necessitate its present high requirements in foreign exchange.

5. Ambassador Andrade stated that after the present tin negotiations were concluded he intended to propose to the Department that an American commission of technical experts be named to study the situation in Bolivia and to make recommendations for the consummation of the following program :

a) Alteration and improvement of the tax system. He believes with Minister of Finance Victor Paz Estenssoro that the incidence of export taxes should be decreased and the incidence of profits taxes should be increased. This would permit marginal mines to operate and would be an inducement to capital investment.

b) Reduction of production costs in the mining industry in addition to tax savings. In this connection, the Ambassador will seek to have the proposed commission study the feasibility of installing a tin smelter in Bolivia.

c) Increased prospecting for Bolivian ores, including large scale geo-physical testings.

The Ambassador said that he would propose that this commission be jointly financed by the United States and Bolivian Governments.

6. The Ambassador said that he believed he had been greatly handicapped in connection with the tin negotiations by reason of the recent reorganization. He stated that former Secretary Stettinius⁶⁵ had understood his point of view and was sympathetic, he believed, to a 3 year extension of the tin contract at the present price in order to permit Bolivia to solve its difficult internal problems.

⁶⁵ Edward R. Stettinius, Jr., was succeeded on July 3, 1945, by James F. Byrnes as Secretary of State.

103.9151 : Telegram

The Secretary of State to the Ambassador in Bolivia (Thurston)

WASHINGTON, August 14, 1945—3 p. m.

541. Munro RDC [from] Utz.⁶⁶ Reurtel 265 April 19, 1945. For obvious reasons, you are hereby instructed to inform appropriate Bolivian governmental authorities, through the Embassy, that the offer heretofore made on behalf of Rubber Development Corporation to extend rubber agreement, price premium, and other collateral agreements to June 30, 1947, is withdrawn, effective immediately. [Utz.]

For Emb from Dept. Dept concurs in foregoing. Emb is requested to assist RDC in withdrawing offer to extend rubber agreements.

BYRNES

S10.6176/9-2645 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, September 26, 1945—5 p. m.

[Received 7:55 p. m.]

984. The apprehension regarding possibility of Bolivian reaction to impending curtailment Rubber Development Corporation activities expressed my 965, September 19⁶⁷ concerned the policy itself and not any specific application thereof. It is based on thought that unilateral action with respect to rubber following suspension cinchona purchases might expose U.S. charge disregard Resolution XII [XXI] Final Act Chapultepec Conference⁶⁸ on transition period.

While curtailment program presumably not yet known to Bolivians inevitable soon will be and I desired evidence Department's concurrence enable me support it when asked about it by officials.

In meantime National Assembly has taken up Rubber Development Corporation contract and called Minister of Agriculture before it for interrogation.

THURSTON

S10.6176/9-2645 : Telegram

The Acting Secretary of State to the Ambassador in Bolivia (Thurston)

WASHINGTON, October 4, 1945—6 p. m.

655. Reurtel 984, Sep 26 and Dept instructions 339 and 340 Sep 26.⁶⁹ Dept believes 1) RDC stands prepared to carry out fully its obliga-

⁶⁶ F. W. Utz, Vice President, Rubber Development Corporation.⁶⁷ Not printed.⁶⁸ For text, see *Final Act of the Inter-American Conference on Problems of War and Peace*, p. 61.⁶⁹ Instructions 339 and 340 not printed.

tions under the terms of the basic rubber agreement as amended as long as the agreement continues in force (i.e. thru Dec. 31, 1946 unless further modification mutually agreed upon); 2) modification which would relieve RDC of its existing obligations to purchase Bolivian rubber will not be initiated by the US; 3) RDC's present specific plans for Bolivian operations constitute an orderly retreat from maximum production effort with adequate notice to other parties and hence permit orderly reconversion in producing areas.

Dept therefore concurs RDC's present program as in accord with substance Resolution XXI.

ACHESON

824.6354/9-2045

The Secretary of State to the Ambassador in Bolivia (Thurston)

No. 365

WASHINGTON, October 29, 1945.

The Secretary of State refers to the Embassy's despatch no. 1587, September 20, 1945⁷⁰ concerning the claim of the manager of the Patiño Mines and Enterprises Consolidated, Inc. that that company is an American corporation.⁷¹

Any concern incorporated in one of the States of the American union is regarded as having American citizenship. (U.S. v. Laffin, 24 F. (2d) 683, 686). However, the question whether the protection of this Government should be extended to an American corporation operating in a foreign country requires the exercise of administrative judgment, taking into consideration the particular facts and circumstances, and especially the amount of American ownership.

With regard to the protection of corporations in foreign countries attention is called to the following statement in Moore's *International Law Digest*, Vol. VI, pages 641-642:

"It is well settled that a government may intervene in behalf of a company incorporated under its laws, or under the laws of a constituent state or province. In such case the act of incorporation is considered as clothing the artificial person thereby created with the nationality of its creator, without regard to the citizenship of the individuals by whom the securities of the company may be owned. Hence we find in general claims conventions that the submission or settlement uniformly embraces 'all claims on the part of corporations, companies, or private individuals, citizens of the United States,' or of some other government, as the case may be. In other words, the corporation is recognized as having, for purposes of diplomatic protection, the citizenship of the country in which it is created."

⁷⁰ Not printed.

⁷¹ This company was headed by Simón I. Patiño. Its claim to American nationality rested on alleged ownership of 54 percent of the stock by American citizens.

It is contrary to the practice of this Government to extend protection to a corporation in a foreign country unless a substantial American interest is involved. (Borchard's *Diplomatic Protection*, etc., pp. 621-622.)

While the extension of the protection of this Government to an American corporation is always discretionary, the rule is that protection will be extended when there is a substantial American interest involved. (Borchard's *Diplomatic Protection*, p. 622; III Hackworth's *Dig. of Int. Law*, pp. 420-426.) The mere fact that considerable foreign interests are also involved does not prevent this Government from extending protection. (Borchard's *Diplomatic Protection*, p. 621; V Hackworth's *Dig. of Int. Law*, 837.)

The Embassy's communication under acknowledgment reports the claim of Mr. Tamplin⁷² that American investors own approximately 54 percent of the stock of the Patiño company. If this is the case, it is believed that the protection of this Government may properly be extended to that concern should the facts and circumstances seem to require such protection. Accordingly, the Embassy is instructed to inform the representative of the company that in order to substantiate his claim that the Patiño Mines and Enterprises Consolidated, Inc. is an American company and entitled as such to protection by this Government, there should be established by substantive evidence presented either to the Mission at La Paz or to the Department of State that a substantial American interest rests in the company. The Department should also be informed as to the nationality of the directors and officers of the corporation.

**ASSISTANCE BY THE EXPORT-IMPORT BANK TO THE BOLIVIAN
DEVELOPMENT CORPORATION⁷³**

824.51/7-2345: Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, July 23, 1945—8 p. m.

493. For the information of the Embassy, there is quoted below the text of the *aide-mémoire* drafted by the Eximbank and signed by the representatives of the Bolivian Development Corporation, the

⁷² William Tamplin, Technical Manager of the Patiño interests in Bolivia.

⁷³ For previous documentation on the Cochabamba-Santa Cruz highway project, see *Foreign Relations*, 1944, vol. VII, pp. 537 ff.

President of the Eximbank, the Bolivian Ambassador, and a representative of the Department of State:

"The representatives of the Bolivian Development Corporation, Lt. Col. Enrique Camacho, Dr. Gonzalo Romero, Director, and Mr. José Romero Loza, Advisor, being accompanied by officials of the Bolivian Embassy, have had a series of conversations with Mr. Taylor, President of the Export-Import Bank, together with other officials of the Bank and officials of the Department of State.

"These discussions have covered the general affairs of the Corporation relating to the use of the Export-Import Bank credit and have resulted in an understanding on the following points:

"1. The Corporation recognizing the necessity of competent management has appointed Dr. Joseph MacCaskill as General Manager of the Corporation with the approval of the Bank.

"2. The Corporation has entered into a contract for the construction of the Cochabamba-Santa Cruz Highway with the firm of McGraw-Warren, and the Bank has approved the selection of this firm and the contract of construction.

"3. Under the approval of the petroleum program within the terms of the Loan Agreement,⁷⁴ the Corporation has expended approximately \$1,100,000 for the purchase of machinery and equipment necessary for the drilling program, and the Bank has indicated that these expenditures will be reimbursable immediately under the credit upon the presentation of the promissory notes of the Corporation accompanied by the documentation described in the Loan Agreement.

"4. The Bank is of the view that it has a direct interest in only the two projects to which its credit has been allocated, the petroleum project and the highway project and that it therefore did not desire at this time to express any definite views concerning, or to discuss the possible availability of funds for, other projects which the Corporation intended to carry out with funds other than those obtained under the credit.

"5. With reference to the Cochabamba-Santa Cruz Highway project, the Export-Import Bank has, at the request of the Corporation, allocated \$10,000,000 of the credit for the construction of the highway. This allocation was made pursuant to the Export-Import Bank approval dated December 26, 1944, which requires the prior expenditure of \$3,000,000 of Corporation funds contributed by the Bolivian Government before the Bank credit will become available. The Corporation has expended up to July 4, 1945 approximately \$2,130,000 of its own funds and hoped that the Bank would reimburse it to the extent of these expenditures. The Bank expressed the view that it was not willing to discuss the request of the Corporation with reference to the reimbursement of the previous expenditures of the Corporation for the highway, but that it was immaterial if the assurances for the completion of the highway were represented by actual expenditures or other guarantees satisfactory to the Bank. The Corporation accordingly, with the authorization of the Bolivian Government,

⁷⁴ i.e., the Loan Agreement of January 27, 1942; see *Foreign Relations*, 1942, vol. v, p. 592.

offered the guarantee of the Banco Central contained in the following cable from President Villarroel:

'The Banco Central will make available up to 2 million dollars for the completion of the highway in case the 10 million dollars available under the Export-Import Bank credit are insufficient, such Banco Central funds to become available after the expenditure of the Export-Import Bank credit. The Government has approved the law creating resources to finance this operation in virtue of which it considers the guarantee requested as provided, enabling you to continue on this basis your negotiations.'

"This guaranty, when properly formalized and made effective by the requisite law, will be satisfactory to the Bank. Accordingly, the Corporation may expect reimbursement under the credit for expenditures made on the highway from July 4, 1945 and may use, for whatever projects it chooses, the sum of \$870,000 which would otherwise be applicable to the Cochabamba-Santa Cruz Highway under the approval of December 26, 1944.

"6. The Corporation pointed out that it had an extensive road program and that it would like to initiate as soon as possible studies of several of these roads, on the understanding that the Bank would be willing to discuss the possibility of additional credits as suggested in the note of Secretary Hull, dated August 14, 1942,⁷⁵ addressed to the Bolivian Ministers of Economy and Finance. The Bank indicated that it looked forward to pleasant and mutually satisfactory relations with the Corporation, and would be prepared to discuss the above-mentioned matters at any time, but that it would be more desirable if the Corporation would progress substantially with the Cochabamba-Santa Cruz Highway before presenting for consideration additional highway projects in Bolivia."

GREW

APPLICATION OF BOLIVIAN LABOR LAWS TO UNITED STATES GOVERNMENT AGENCIES; PROTECTION OF AMERICAN PERSONNEL IN THE MINING INDUSTRY

824.504/4-2445 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, April 24, 1945—7 p. m.

277. This Government views with increasing concern, on the basis of recent reports from the Embassy, the apparent failure of the Bolivian Government to take adequate measures for the protection of the lives and property of United States personnel engaged in mining operations in Bolivia, and the apparent incitement of Bolivian workers against the United States personnel by labor inspectors or other of-

⁷⁵ *Foreign Relations*, 1942, vol. v. p. 603.

ficials who speak for the Government. You may, in your discretion, so inform President Villarroel, bearing in mind, of course, the fact that this Government can not properly be concerned with the outcome of the present contest between the mine labor and its employers.

GREW

824.504/7-2545

The Secretary of State to the Ambassador in Bolivia (Thurston)

No. 312

WASHINGTON, August 27, 1945.

The Secretary of State refers to the Embassy's despatch no. 1270 of July 25, 1945⁷⁶ and informs the Officer in Charge that the Department is impressed with that communication.

The Embassy inquires whether it should cease urging American citizens to continue in the Bolivian mines considering the conditions which expose them to personal danger. In reply it may be stated that the decision as to whether or not American citizens should engage in or remain with the Bolivian mining industry is entirely one for the individual judgment of the person concerned. Moreover, in view of the termination of hostilities patriotic motives need no longer constitute a determining factor. Further, if consulted, in no case should the Embassy advise that it is safe for American citizens to go to or stay in the mines if the Embassy is satisfied that such a course is attended by unusual risk.

The Department is deeply concerned with the events that have recently occurred in the mining industry in Bolivia. As the Embassy has been informed (Department's telegram 535, August 10, 4 p. m.⁷⁶ this matter has been brought to the attention of the Bolivian Ambassador here. The Embassy will also have addressed a note to the Bolivian Government under the Department's telegraphic instruction 539, August 11, 1 p. m.,⁷⁶ expressing the view of this Government that it expects the Bolivian Government to assure protection to American citizens and afford them full enjoyment of their rights in Bolivian territory.

The Department hopes that the Embassy's representations may have brought to the consciousness of the Bolivian Government the necessity of taking the necessary measures to these ends and that an improvement of the situation has come about. It would, however, appreciate being informed by telegram whether there are indications that such is the case.

⁷⁶ Not printed.

824.6352/9-545 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, September 5, 1945—11 a. m.

[Received 5:49 p. m.]

921. Dept's A-294, August 28.⁷⁸ Nothing has come to Embassy's attention bearing out statement that adequate steps taken for protection security American citizens. On contrary reports from Quechisla-Oploca area situation worse and strike entailing danger to Americans certain before year's end. Embassy asking American company managers to report carefully what steps taken to protect and whether situation improved. Their reaction will be forwarded Dept. but above submitted for its consideration in tin negotiations.

THURSTON

824.6352/9-545 : Telegram

The Acting Secretary of State to the Ambassador in Bolivia (Thurston)

WASHINGTON, September 6, 1945—6 p. m.

593. Dept is deeply concerned at the general implications of Embtel 921, Sept. 5.

At the same time it does not see how it can object to a strike nor is it disposed to confuse commercial considerations like those involved in the tin negotiations with considerations of security. This Govt takes the position that security of American citizens is an absolute obligation of Bolivian Govt. It is suggested that you specify exactly what steps you consider Bolivian Govt should take for the protection of American mining personnel and ascertain from Bolivian authorities on basis of the MinFonAff statement (Dept. A-294, Aug. 28⁷⁸) whether they are prepared to take these steps.

Please report by telegraph.

ACHESON

824.6352/9-745 : Telegram

The Ambassador in Bolivia (Thurston) to the Secretary of State

LA PAZ, September 7, 1945—6 a. m.

[Received September 8—4:30 p. m.]

934. Dept.'s 593, Sept. 6.

1. Neither the Dept. nor this Embassy can object to a strike. We can, however, insist that as has not been done heretofore, American personnel be protected during strike.

⁷⁸ Not printed.

2. It has never been the Embassy's intention that we should bargain American lives against the price of tin. I see no reason, however, which could prevent us from making the negotiation or signing of a new tin contract absolutely contingent upon formal assurances that agitation against Americans will be stopped. That is all the Embassy has ever recommended to Dept.

3. The Bolivian Govt. should be required to take these steps: (a) Prevent its own agents (labor inspectors Toranzas and Escobar⁷⁹) from inciting the miners against Americans; (b) prevent labor agents [such as?] (Lechín) from such agitation; (c) address itself directly to the miners calling for respect for the Americans.

4. I discussed this matter along the foregoing lines but more forcefully last evening with President Villarroel and again received assurances of prompt corrective measures.

THURSTON

824.6352/9-745 : Telegram

*The Acting Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, September 10, 1945—7 p. m.

600. Reference paragraphs 1 and 4 of Embtel 936.⁸⁰ If you continue convinced that strike mentioned in Embtel 921, Sept. 5 is imminent, you may in your discretion again approach MinFonAff and inquire what specific measures have been taken in view of this particular contingency by the Govt to implement the statement contained in Dept's A-294⁸⁰ that Ministry of Govt has taken adequate steps for protection of American citizens.

Reference paragraph 3 of Embtel 934. If you are satisfied that specifically anti-American agitation is still being conducted by Bolivian Govt officials, you may inquire how Govt reconciles this action in general with the friendly relations heretofore happily existing between our two countries, and more particularly with reference to the encouragement given to tin production by the American Govt and to other forms of economic assistance extended by agencies of this Govt.

You may state that foregoing inquiries are made at the direction of the Dept.

Public announcement about to be issued that tin contract signed.

ACHESON

⁷⁹ César Torranzos, Inspector General of Labor, and José de la Asunción Escobar, of the Ministry of Labor.

⁸⁰ Not printed.

824.504/9-2945

The Ambassador in Bolivia (Thurston) to the Secretary of State

No. 1621

LA PAZ, September 29, 1945.

[Received October 10.]

SIR: I have the honor to refer to the many communications exchanged between the Department and the Embassy regarding the compliance by the United States Agencies operating in Bolivia with Bolivian labor laws and to bring the matter again to the attention of the Department in anticipation of the claims which will probably be made against those agencies as they begin to decrease their Bolivian staffs and to cease their operations. The Embassy understands that the Sanitary Mission has as a matter of policy complied with the Bolivian labor laws but that the FEA,⁸¹ the U.S. Commercial Company, and the Rubber Development Corporation have not done so.

[Here follows background material on cases regarding compliance by these agencies with Bolivian labor laws.]

From the foregoing review of the record, it is difficult to escape the conclusion that there has been a great deal of confusion in Washington regarding the status of Federal Agencies operating in foreign countries. The Embassy infers from the record as set forth above that the basic point of view of the Department of State is that such Agencies should submit to local labor laws and to suits in local courts as a matter of grace without raising the question of diplomatic immunity unless treatment in the local courts is obviously prejudiced or unless compliance would work a serious hardship to the Agencies in their functions but that circumstances in Washington have made it difficult or impossible for the Department to consistently maintain this stand.

It would appear that in arriving at a decision,—due thought ought to be given both to the legal and to the political aspects of the problem, that is, the effect which our course will have upon public opinion in Bolivia.

From a legal standpoint, it must be noted that the Foreign Office, as quoted above, has on two occasions admitted the diplomatic immunity of the Rubber Development Corporation. But it would seem that this immunity and its effects might be attacked in the Bolivian courts from two standpoints: (1) whether such immunity was properly granted and (2) whether the granting of the immunity could operate to deprive employees of rights and benefits guaranteed to them by the Bolivian Constitution.

With reference to the first viewpoint, it is perhaps pertinent to point out that the Agencies under reference are not direct branches of the

⁸¹ Foreign Economic Administration.

United States Government, but rather are corporations, incorporated as any private corporation but owned by the Government; that they are not engaged in diplomatic representation of the United States, but rather in commercial activities—the buying and selling of products, the making of loans and entering into commercial contracts—and that it would be difficult to establish that there is any commonly accepted principle of international law which clothes such government-owned commercial entities with diplomatic immunity or immunity from compliance with the laws of the country in which they operate. The evidence available to the Embassy indicates that the policy and the laws of the United States deny immunity to such organizations operating within its borders. For the Minister of Foreign Affairs (or the Minister for Labor, or any other branch of the Executive) to grant United States Agencies exemption from compliance with Bolivian labor laws would in effect amount to a renunciation by the Executive of rights and benefits of employees of the Agencies which are specifically guaranteed to them as irrenunciable by the Bolivian Constitution (Section 129 quoted above⁸²). It would seem that an appropriate court might, and properly so, hold that in so doing the Executive exceeds its constitutional power and that the exemption is accordingly null. The preponderance of Bolivian legal opinion in the Embassy files seems to concur in the viewpoint.

From this point of view, it is doubtful that either oral or written assurance by a Cabinet Minister that employees of the United States Commercial Company are not subject to Bolivian labor laws would be valid. Nor does it appear in view of the constitutional provision quoted above that any agreement signed by an employee at the time of his employment (such as that obtained by FEA from their Bolivian employees) renouncing his rights and benefits under the Bolivian labor laws could operate to relieve the employer of his responsibilities. Indeed, it would appear that the provision of law cited was written with the express purpose of nullifying such agreements. Nor does it appear a valid argument for exemption that the United States Commercial Company pays salaries and confers other benefits in excess of those generally shared by Bolivian employees. It would appear that the policy of the FEA should have been rather to pay salaries more in accordance with Bolivian standards and thereby be in a position to pay those benefits to Bolivian employees required by law.

In summary, it appears from a legal standpoint that although diplomatic immunity might be asserted this immunity established by Executive Act would be subject to judicial review and should it operate to contravene the Bolivian Constitution the courts could probably in-

⁸² The quoted translation of Section 129 reads as follows: "The rights and benefits recognized by law in favor of workers and employees are irrenunciable—contrary conventions which tend to evade their effects are void."

tervene. It is perhaps significant that Dr. Pacheco⁸³ in his opinion in connection with the controversy between RDC⁸⁴ and Dagley⁸⁵ (see paragraph 3⁸⁶) asserted the legal right of the Labor Court at Cochabamba to entertain Dagley's suit notwithstanding the diplomatic immunity claimed by the RDC and granted by the Minister of Foreign Affairs.

From a practical viewpoint, apart from the legalistic standpoint, it must be recognized that the Bolivian courts are only theoretically independent of the Executive and sufficient diplomatic pressure would probably result in the court's refusal to entertain such cases. However, the application of such pressure would appear to be immoral and unwise; immoral because it would be an application of the principle that might makes right, and unwise in the precedent that it would set, and in that if it is our policy in the Latin American countries to encourage democratic process under law we ought not to take steps which would further discredit Bolivian courts and further bring them under domination of the Executive.

From a policy standpoint, two points might well be considered:

1. The desirability of insisting upon the diplomatic immunity and exemption from local laws in view of the fact that we might be unwilling or possibly unable to grant similar exemption to agencies of other Governments operating within the United States. In this connection, it might be added that if we wish to further strengthen the principle of free enterprise within the United States it might be unwise to confer additional advantages upon Government agencies which may operate in the postwar period in direct competition with private enterprises. United States Agencies operating in foreign countries are presumably temporary war agencies; those of foreign governments in the United States might well be permanent.

2. The question arises whether in view of the amount of money which has been invested in Bolivia in an effort to promote goodwill and understanding it might be "pennywise and pound foolish" to offset to a considerable degree that goodwill through our refusal to pay certain benefits which, in total and in comparison with our other investments, could not be large. In this connection, it must be remembered that at least a considerable segment of Bolivian legal opinion considers that these rights and benefits are legally due to the employees of Federal Agencies in Bolivia and that from a propaganda standpoint it would be a difficult defense to claim that such employees have been overpaid and have received other benefits in excess of those given by law.

⁸³ Lt. Col. Alfredo Pacheco, Bolivian Military and Air Attaché in the United States.

⁸⁴ Rubber Development Corporation.

⁸⁵ George H. Dagley, a British subject who instituted a suit against the Rubber Development Corporation in a Labor Court located in Cochabamba, Bolivia.

⁸⁶ Not printed.

The Embassy realizes that the foregoing treatment of the problem is by no means exhaustive and that there are probably other factors to be evaluated of which it is unaware. However, it is the Embassy's judgment based upon the reasons set forth above that the United States Government Agencies operating in Bolivia should comply voluntarily, and without raising the question of immunity, with Bolivian labor laws and should pay to their Bolivian employees such bonuses and discharge indemnities as may be required thereunder.

Inasmuch as it is apparent that the Embassy will have to take a stand in connection with the problem presented herein, the Department's early comments and instructions will be appreciated.

Respectfully yours,

For the Ambassador:

WALLACE W. STUART

Third Secretary of Embassy

103.9169/10-1245 : Telegram

*The Secretary of State to the Ambassador in Bolivia
(Thurston)*

WASHINGTON, October 12, 1945—8 p. m.

671. Reurtel 935, September 7.⁸⁷ Despite general policy that US agencies operating abroad should comply with labor laws of country in question Department agrees that oral assurance by Bolivian Minister of Labor to FEA and USCC⁸⁸ permitting them to apply US rather than Bolivian standards to its native employees makes unnecessary FEA payment of Xmas salary bonus. Application of US standards by FEA and USCC accords with spirit of general policy of compliance inasmuch as standards maintained are generally higher than under Bolivian laws.

Since RDC has followed and apparently wishes to continue policy of applying Bolivian standards to its native employees and since this policy is consistent with general position of Department regarding compliance with local labor laws, payment of Xmas salary bonus by RDC is recommended. Continuation of divergence in policy between the two agencies preferable to requiring either agency to adopt at this date employment practices of the other.

BYRNES

⁸⁷ Not printed.

⁸⁸ United States Commercial Company.

BRAZIL

DISCUSSIONS REGARDING MILITARY AND NAVAL COOPERATION BETWEEN THE UNITED STATES AND BRAZIL

810.20 Defense/1-1045

*The Secretary of State to Diplomatic Representatives in Certain
American Republics*¹

PROPOSED BILATERAL STAFF CONVERSATIONS

WASHINGTON, January 10, 1945.

The Secretary of State refers to the Department's secret circular instruction of August 1,² and encloses for the information of the Embassy a copy of the "Statement of Procedure in the Conduct of Bilateral Military Staff Conversations in Latin America."³ This Statement has been agreed to by the War, Navy, and State Departments and has been sent by the War and Navy Departments to their representatives who will participate in these conversations. Previously issued statements of procedure, other than the basic instructions regarding staff conversations, have been rescinded by the War and Navy Departments. Further instructions will be sent to the Embassy concerning the timing and topics of the staff conversations.

810.20 Defense/7-2645

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

No. 2186

RIO DE JANEIRO, July 26, 1945.

SIR: I have the honor to report on the Naval Staff Conversations had between the United States and Brazil, which are embodied in a secret document dated April 15, 1945 from the Commander of the South Atlantic Force (Admiral Munroe) to the Commander-in-Chief of the United States Fleet and Chief of Naval Operations,⁴ together with its annexes. Further despatches follow with respect to the conversations covering the ground forces and the air forces.

¹ This instruction was addressed to the diplomatic missions in Chile, Colombia, Cuba, Ecuador, Peru, Uruguay, and Venezuela on January 10, and was sent on January 16 to the diplomatic missions in Bolivia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Paraguay.

² *Foreign Relations*, 1944, vol. VII, p. 105.

³ For text, see *ibid.*, p. 130.

⁴ Adm. Ernest J. King.

These Staff Conversations were conducted entirely between the officers of the Navy, without intervention of the Embassy. The Department is therefore clearly in a position to take any view which it chooses. The text of the Staff Conversations is presumably available to the Department in Washington through the Navy.

(1) *Form*: The form of the paper resulting from the Naval Staff Conversations is an official statement by the Brazilian Ministry of Marine as to what Brazil considers necessary for her post-war naval needs. Approval by the President of Brazil⁵ is taken, by the Navy, to mean that Brazil considers the plan feasible within her economy, and that Brazil will endeavor to maintain the proposed naval force at an effective level. For the purpose of this report, these assumptions are taken as correct.

(2) *Political theory*: The American naval officers based their suggestions on the assumption that "it is the desire of the United States that Brazil be able to play a strong and cooperative role in the maintenance of hemispherical defense as a component of post-war world order, thereby relieving the United States of the military burden and political embarrassment of playing this role directly in South America." I believe that the last phrase is open to some question. It implies that Brazil will be placed navally in a position to maintain peace substantially by herself in South America as well as to take her part in hemispheric defense. Certainly the Brazilian Naval General Staff wishes this. The size of the program projected supports this implication. The sense of the inter-American agreements do not contemplate anyone as a senior enforcement agency, but rather assumes that there is to be a cooperative enforcement of peace and a cooperative hemispheric defense. Nevertheless Brazil, as the largest South American country, necessarily will take primary rank in view of her superiority in size, resources and possibly ultimate strength. . . .

(3) *Organization*: The organization envisaged is a continuing Naval Mission upon the existing contract basis, which, however, is to be enlarged through the assignment, on non-contract status, of specially qualified officers and men needed for training requirements. This personnel is to report to the Chief of Naval Mission, which is to be one of three such missions, the other two being an Army training mission and an Air training mission. It is contemplated that the senior members of these three missions will sit on the Joint United States-Brazil Military Commission.

This is sound organization as far as it goes; but there is the distinct danger that the American Section of the Commission would undertake to carry on foreign relations as well as military training. This Embassy has had a series of Army and Navy officers who not only have

⁵ Getulio Vargas.

carried on direct relations with the Ministries of War, Navy and Air, but who also ask for and occasionally get direct relations with the President. In time of war this might be permissible. In time of peace it is not; and a civilian officer of the Embassy should at all times sit with the Military Commission. The Military or Naval Attachés will not do, since they are fundamentally reporting to their Departments. There is no point in duplicating the existing situation in which the Military Attaché, responsible as such to the Embassy, is also Chief of the Military Commission, in which position he appears to have independent jurisdiction. As long as the Naval Mission contemplated by the Staff Conversations, either acting by itself, or acting as a part of the Military Commission, is sticking to training, of course no difficulty arises. But these missions have a habit of extending their scope of operations, as we know from our experience with the Theater Commanders. To contemplate such a situation as a continuing and permanent part of the peace-time American machinery in Brazil would obviously be out of line.

The Naval Mission, like its companion Army and Air Missions, therefore should be required to report to the Embassy as well as to their respective Departments, and a civilian member of the Embassy should be required to cover it and the other two missions; and also the proposed American Section of the United States-Brazil Military Commission. In this connection, the Department should review the so-called Political Military Agreement of May 1942⁶ to assure itself that the functions therein set forth are appropriately defined on a peace-time as well as a war-time basis.

(4) *Size of fleet*: The Brazilian Naval General Staff proposes that the United States shall make available to Brazil a number of vessels which are listed in paragraph 6 of a memorandum from the Chief of the Naval General Staff to the Minister of Marine and dated at Rio de Janeiro on February 21, 1945. This is attached to the report of the Staff Conversations. The principal items consist of two battleships of the *Nevada* class; two light aircraft carriers of the *Independence* class; four cruisers of the *Cleveland* class; fifteen destroyers; nine submarines, and a variety of auxiliary craft. The Staff Conversations do not suggest how these ships are to be paid for; but there is no question in my mind that the Brazilians hoped that they would be turned over either on Lend-Lease⁷ or on a nominal price basis. The American naval officers continuously refrained from making a recommendation.

(a) The fleet thus proposed, if Brazil could effectively operate it (which is questionable now) would make the Brazilian Navy incon-

⁶ See bracketed note, *Foreign Relations*, 1942, vol. v, p. 662.

⁷ For draft text of basic agreement, generally applicable to the American Republics but with special reference to Brazil, see *Foreign Relations*, 1941, vol. vi, p. 139.

testably the strongest naval force in South America, and substantially capable (assuming organization) of patrolling the East Coast of South America and the bulk of the South Atlantic. Such a fleet could not be challenged from within the hemisphere; equally, it would be wholly ineffective against challenge from a strong power from without the hemisphere. It could, if organized, be of considerable assistance to the United States in the event that the hemisphere were attacked from outside, by relieving our country of part of the patrol duty in the South Atlantic. My impression is that the aid is apparent rather than real, and that actually the United States would have to send technicians, officers, et cetera, to organize, supply and handle the fleet. Probably the United States Navy could do this work better under the American flag than under the Brazilian. The possession of such a fleet would give to Brazil a naval prestige which would be a solid political advantage on the assumption that Brazil continues her historic policy of collaboration with the United States. For the foreseeable future this assumption is warranted. It is conceivable, however, that a different situation might arise, and in such case the Brazilian naval force would become an embarrassment. Actually, I strongly doubt whether the Brazilian Navy could handle a force of this size in the immediate future. My recommendation would be that a force of this size be left as a possible ideal to be attained at some future date; but that the program for realizing it be left fluid, and that a considerably less program be envisaged for the immediate future. One cruiser of the *Cleveland* class might be scheduled for turnover to the Brazilian Navy as and when it becomes sufficiently clear that the Brazilian Navy is able to handle it, with possible turnover on a similar basis of a second cruiser, and later, one light aircraft carrier. The destroyer program should also be appropriately cut down. Even to realize this, in my judgment, would be a matter of at least three or four years.

(b) My reason for being skeptical about the battleships likewise proceeds from a doubt whether in any foreseeable period of time the Brazilian Navy would be able to defend a battleship against an air attack even from an inferior power. In practice, battleships of the *Nevada* class could only be used as floating batteries requiring a possible enemy to deploy more force in the event of a landing. In a naval engagement it is highly questionable whether they could stand up. It has still to be demonstrated that the Brazilian Navy could carry on the maintenance of as complicated and formidable a piece of machinery as even a *Nevada* class battleship.

(c) The foregoing two paragraphs are based on the assumption that the United States could find some way of turning over these ships to Brazil for nothing or on a nominal price basis. Actually, in my judgment, Brazil would do well not to spend any great amount of money in acquiring a fleet, beyond perhaps a single cruiser. She could better rely on cooperation with the United States Navy, which will be able to detach a naval force for purposes of assisting in maintaining hemispheric peace. In case of defense against attack from outside the hemisphere, the United States would have to expand its entire Navy as rapidly as possible to cover all contingencies. The money and effort used in organizing a naval force at this point in Brazilian history would be infinitely better spent on putting in an internal transport system, and building and maintaining public schools. If another war

test actually comes, this particular kit of naval machinery will probably be out of date; and Brazil's real reliance will then have to be on a wider sector of literate and trained people, and a better ability to mobilize her internal resources. Meantime, she can safely rely on the United States Navy for her defense. In my judgment, this would be sound policy. For this reason, I should not favor a too rapid development of the Brazilian Navy if this involves any great expense to Brazil.

(d) The foregoing observations apply in considerable measure to the maintenance cost contemplated by proposed increase of the Brazilian Navy.

(5) *Naval bases*: While I am dubious about the size of the fleet, quite different considerations apply to the naval base program. Paragraph 9 of the memorandum of February 21, 1945 proposes six naval bases and an arsenal, namely, a Main Base at Rio de Janeiro; the Ganchos Base at Santa Catharina; the Rio Grande Base for small craft; the Natal Base with auxiliary installations at Recife; the Bahía Base; the Pará Base located near Belém, and an arsenal at Ladario, to serve the Paraguary River Force.

(a) These bases would be of solid use in the event of operations of any kind whether to maintain peace in the hemisphere or to defend the hemisphere from attack from without; but their principal use would probably be to assist operations of the United States Navy. In case of real trouble, if Brazil had not built these bases, we should probably have to build them for Brazil, for joint United States-Brazilian use. I should recommend the implementation of the Staff Conversations through creation as recommended of a special commission to organize the definite projects for the bases, and the rendering by the United States of all possible assistance in constructing, maintaining and setting up these bases upon the understanding that they would be available for joint operations in case of war, and for periodical maneuver and practice operations in time of peace.

(6) *Training*: The proposed plan of joint United States and Brazilian training of technicians should, in my judgment, go forward, though on a restricted basis, substantially along the lines indicated.

(7) *Cost*: The cost of putting the program into effect is estimated roughly by the Brazilian Naval General Staff at Cr.\$799,863,280,00, covering three years. This is assumed to include everything except any payment for the fleet itself. The estimate looks low to me. Obviously if the plan were put into effect slowly, annual costs would be correspondingly reduced.

On the other hand, the Brazilian Naval General Staff estimates that construction of all bases plus training of personnel would result in an additional cost of Cr.\$133,375,000,00 (approximately 6½ million dollars) roughly for each of the years 1945, 1946 and 1947. Alternatively, by proceeding with the program more slowly, and dividing the bases into groups, the money could be spread out so that

about Cr.\$70.000.000,00 a year (approximately $3\frac{1}{2}$ million dollars) could keep the program moving forward. I should recommend the latter method.

Neither the Navy, the Army or the Air Force representatives considered economics very much in their Staff Conversations. They figured, as military men usually do, that providing the money was the job of a civilian government which would have to judge its own ability in that regard. My own feeling is that a limited amount of money for a base program is probably well spent, all things considered. Additional sums suggested for fleet development and maintenance would be of more solid military advantage both to the United States and Brazil if they were put into developing the transport and economic and human resources of Brazil. For a country which has at the moment a total national income of less than 3 billion dollars, a total additional expenditure for Navy alone which the Naval Staff estimates at Cr.\$799.000.000,00 and probably would run to not less than Cr.\$1,000.000.000,00 (i.e. \$50,000,000) exclusive of any additional cost of the ships themselves, is a huge sum. This does not take account of the fact that continued maintenance would have to be provided for and aircraft carriers are especially expensive to maintain. Yet naval expense is only a fraction of the total program with the bills for air and ground forces still to come in.

(8) *General policy*: I feel that the sound policy for Brazil is to have a reasonably capable naval police force, with enough large ships (one or two cruisers) to maintain her prestige; but that her real defense at this point in the world's history should be her virtual alliance with the United States within the framework of the inter-American arrangements envisaged by the Act of Chapultepec⁸ and presently to be carried forward into a definitive treaty. This policy is peculiarly applicable to the Navy, since the United States will at all times maintain a powerful mobile fleet, which will be more efficient in American hands than in Brazilian. The money which might be used to provide a sixth rate fleet, will tend to impoverish and weaken the country. That same amount of money spent in educating Brazilians, and developing transport, industry and resources, will strengthen the country. It is probable that if and when a test comes, the Brazilian naval force would have to be thoroughly reorganized anyhow in the light of new weapons and new methods.

The existing measures should accordingly be trimmed to a manageable program providing for building of the bases, limited fleet additions for patrol and police purposes, a social training program, and maintenance of firm and continuing relations enabling the United

⁸ March 8, 1945, Department of State, Treaties and Other International Acts Series No. 1543, or 60 Stat. (pt. 2) 1831.

States Fleet to move to the defense of Brazil, or to work in conjunction with Brazil for defense of the hemisphere, or maintenance of peace within the hemisphere, as the case may be.

(9) The Brazilian naval expectations have undoubtedly been greatly raised by the Staff Conversations themselves, and even more by the very unfortunate speech of Admiral Ingram,⁹ which was taken to be a promise of full delivery of the entire amount of Navy matériel. This speech was unauthorized. Admiral Ingram is presently a Brazilian hero for having promised the Brazilians a Navy free of charge.

Yet we have to cope with the results. To throw overboard the Naval Staff Conversations now would undoubtedly create a very considerable crisis. I should therefore recommend that the Department and the Navy, retaining the program as an ideal, propose measures designed to make progress toward realizing it without commitments as to time, accompanied by an understanding with the Brazilian Naval Staff that the program be subject to review and revision in the light of new weapons and new conditions.

Respectfully yours,

A. A. BERLE, JR.

810.20 Defense/7-2645

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

No. 2187

RIO DE JANEIRO, July 26, 1945.

SIR: I have the honor to report on the Army Ground Force General Staff Conversations had between the United States and Brazil which are embodied in a secret document dated March 31, 1945 to which are attached eight annexes, and signed respectively by Brigadier General Canrobert Pereira da Costa, Brazilian Army, and Brigadier General Hayes Kroner,¹⁰ acting as deputy for Major General Ralph H. Wooten.¹¹ Further despatches are going forward with respect to the conversations covering the Air Forces and the Naval Staff Conversations respectively.

These Staff Conversations were conducted entirely between the officers of the Army, without intervention of the Embassy. The Department is therefore in a position to take any view which it chooses. The text of the document under reference is presumably available to the Department in Washington through the War Department or the Adjutant General.

(1) *Form*: The form of the paper is a joint memorandum embodying the result of bilateral Staff Conversations, based on the United

⁹ Adm. Jonas H. Ingram, Commander of the United States Atlantic Fleet based at Recife. For an account of his remarks concerning Brazil, see the *New York Times*, July 5, 1945, p. 3, col. 7, and July 7, 1945, p. 3, col. 6.

¹⁰ United States Military Attaché in Brazil.

¹¹ Commanding General, United States Army Forces, South Atlantic.

States secret memorandum of July 10, 1944. The War Department designated Major General Ralph H. Wooten as the senior United States Army representative, who in turn detailed Brigadier General Hayes Kroner to act for him. Staff Conversations covering several months resulted in the memorandum in question. While no distinct statement to that effect appears, I am of the opinion that the memorandum was fully discussed by the Brazilian Government, and does represent authorized action by Brazil.

The Army officers involved did not consider any economic problems involved in implementing the program. They assumed that the Brazilian Government would have this in mind.

(2) *Military theory*: The United States officers proceeded on the theory that Brazil was willing and anxious to become a southern partner of the United States in a military sense. This assumption is warranted, as was also their assumption that Brazil wished assistance in becoming self-sufficient in a military sense, rather than having continuing help. The size of the program was scaled to cover defense of Brazil from attack within or from without South America, in conjunction with possible United States help. This is clearly not out of line, given the size of the country, and the doubt as to continuing policy of Argentina. Brazil will be able, granted power of organization, to put an Army into the field larger than any South American state, and possibly larger than any combination of them. In view of the fact that she has approximately half of the entire continent, and about half the total population, this is not unreasonable; and in view of her consistently pacific policy and her general characteristics, such an army is not dangerous to hemispheric peace—rather the contrary. The initial assumptions on which Army acted, therefore, provided they are coordinated with the general system of hemispheric unity, seem well based.

(3) *Organization*: The contemplated organization of the United States-Brazil military cooperation is stated to be continuance of the Joint United States-Brazil Military Commission, or the substitution of a similar body to be composed of two voting Army officers, one for ground and one for air, with such staff as may be required to carry out the orders of the Commission. These may be removed at any time at the suggestion of either Government.

The head of the Military Mission together with the heads of the Naval and Air Missions will constitute a joint United States-Brazil Military Commission (as distinct from the strictly military section envisaged in the paper under reference). This seems sound organization; but I feel that a civilian member should be attached to it, presumably from the Embassy, lest the Commission undertake to expand its functions into the political field—which could easily happen, depending largely on the personality of the senior United States officers.

In this respect I refer to my despatch no. 2186 covering the Naval Staff Conversations, and with particular reference to paragraph three thereof.

(4) *Size of Army*: There was agreement that the Brazilian peace-time strength should be 180,000; reserve force capable of initial mobilization bringing this Army up to 400,000 within 60 days in time of war; and an envisaged maximum within a year in case of necessity of 1,850,000 men. It was considered that the Brazilian Army had only a defensive function; and that the largest force she might be required to face from possible attack from within South America would not be greater than 20 divisions within 60 days, and an additional four divisions within four months. By consequence the figures of 180,000 and 400,000 seem reasonable. Brazil has ample manpower to maintain such a peace-time strength and to create such a war-time strength, and the numbers are not disproportionate to her relative size and strength in the continent. A difficulty not disposed of in the Staff paper is the fact that such mobilization must necessarily include a great number of technicians, which in her present level of education Brazil cannot spare from her economic life. The ability to implement this program effectively therefore depends in considerable part on the increase of education, primary, secondary, and technical, in Brazil herself. As will appear later, aside from this difficulty, the expense in maintaining the peace-time ground force envisaged appears to be within Brazilian economic capacity without undue sacrifice of the other interests of the country; in time of war, of course, the economy of the country would necessarily be subordinate to military needs. My feeling is that the conversations in this regard were carried on realistically, though the estimate of financial cost is deficient.

(6) [*sic*] *Transport*: Plainly no Army is useful unless it can be transported, and this is peculiarly true of the mechanized armies of today. By consequence, the Staff paper properly includes an annex (Annex No. 3) covering resources required to make the various plans effective. The Staff plan accordingly contemplated the setting up, in addition to existing railroad lines, of two trunk railroad lines, both running from São Paulo to Santa Maria but through different territory; and the strengthening of transport by rail and road to the southern states and especially to coal ports, together with a very considerable network of roads and highways which are separately being planned by the General Staff of the Army.

Without specific maps it is difficult to evaluate the precise plans in mind. Yet as a generality it may be said that any additional transport line in Brazil will find good use, both at present (transport being deficient) and in the future, in view of the fact that the population of

Brazil historically doubles about every 25 years. The interior communications envisaged by the Staff plans would be of use in developing the civilian life of Brazil; and through such a transport program, a solid contribution could be made to Brazilian development in peace, as well as to her safety in time of war. Tentatively, I feel that the suggestion that the São Paulo–Rio Grande Railroad be strengthened is wholly sound; this frontier is rapidly building up. Equally, a strengthening of the connections between São Paulo and the West will undoubtedly be of help. A fair criticism is that these routes should likewise be handled so as to contemplate an alternative distribution center; São Paulo now handles 55% of the entire commerce of Brazil, which is both vulnerable from the military point of view and unbalanced from the economic point of view. Probably other manufacturing centers will develop, in respect of which particular attention should be paid to the Santa Catharina district, and to the port of Victoria which within 10 years will become the port of exit for one of the greatest iron ore resources in the world as well as for a very considerable agricultural production. My recommendation is that the Department vigorously support this part of the plan, working both with the Army and economic experts to aid wherever possible in construction and to assure that the military connections serve internal economic as well as purely military ends. It cannot be too often repeated that the ultimate contribution of Brazil must be economic as well as military, if indeed it is not to be predominantly economic.

Further, should the United States ever have to engage in joint operations with Brazil, the better the development of transport, the easier our task would be. Every common interest of both countries is served by commencing with the problem of transport—without which, as the Brazilian officers frankly state, any development of the Brazilian Army is really illusory, save for very limited purposes.

(7) *Training*: The principal function of the American side of United States–Brazilian cooperation is designed to be instruction. This has implications in terms of supply of matériel which are separately dealt with. Nevertheless the conception of an American mission primarily for training is wholly sound, provided the training mission sticks to that job and does not try to interfere with Army politics and separate odd jobs other than as it may be specifically authorized to do. The Chief of the American Military Commission should not undertake to promote himself to a Theater Commander; indeed, the more he realizes that he has not a “command”, the better off everybody concerned will be.

The chart of training calls for American instructors in a series of schools, cavalry, field artillery, signal, engineer, motor mechanization, anti-aircraft artillery and coast artillery; as well as enlisted specialists

dealing with cooking and bakeries, quartermaster work and engineering. On a higher level, it is contemplated that officers will be assigned to the tactical schools, the military academy, and officers pre-military schools. Still other officers are to be assigned to assist in basic training of Brazilian enlisted men, small unit training, large unit training, and sifting of recruits for various purposes.

If all this is kept on a restrained basis, a great deal can be accomplished. If, of course, the mission were used as a dumping ground for officers who wished mainly to preserve high rank in peace-time, the result would be bad; and it would be disastrous if too many officers used for this purpose were of senior grade when most of the personnel needed will be officers of field grade or less, dealing with relatively small Brazilian units, who actually work with the Brazilian enlisted men and subalterns, and who do not try to be "little generals". This problem is a familiar one; and the comment does not detract from the soundness of the general conception. It is merely a consideration which must at all times be in the mind of the War Department and of the State Department.

(8) *Supply of Matériel*: The paper states Brazil's desire that within two years after approval of the paper under reference, she shall be supplied sufficient war matériel with which to equip her peace-time Army of 180,000 and furnish her with a reserve sufficient to equip the 26 divisions contemplated in her initial mobilization plan. Further equipment in the four years following calls for matériel for five additional divisions plus a war reserve. Cost or method of payment for this matériel is not discussed. Evidently officers assume that it will be turned over either on Lend-Lease, or at a nominal price as disposable American surplus.

(a) It is obviously to the advantage of the United States that American equipment be used in the Brazilian Army. In fact, it is probably dangerous if any other condition obtains. There will not be wanting salesmen of European arms at low prices as soon as the European situation opens up; and with those arms will go instructors, agreements to supply spare parts, et cetera, all designed not only to sell obsolete war matériel, but to draw the Brazilian Army into the orbit of foreign general staffs. We are now paying in Argentina for the results of a German training mission there, accompanied by sales to Argentina of foreign arms. By consequence, I am of the opinion that the Department should support this recommendation to the extent that it can do so without imposing too great costs on Brazil. It should be possible to do this through the sale to Brazil at a nominal price of surplus matériel, since it appears certain that at the close of the war the United States will have large quantities of such matériel which it does not need, cannot use, and which will probably eventually be replaced by more modern types.

(b) The turnover of matériel within two years desired by the Brazilians seems to me unrealistic. While the Brazilian Army is a

going concern, it suffers from defective power of organization particularly on the staff side; and to turn over matériel within two years capable of equipping 26 divisions probably involves an extremely large factor of waste. I should recommend that any commitment entered into along this line should be conditioned on progressive reports of organization and training to assure that the units to receive the equipment were capable of handling it—and that particular attention be given to the record of each unit in maintaining the equipment it had. The Brazilian record for maintenance is not good; and there is always a tendency to ask for new equipment as a solution. On the other hand, the capacity for maintenance is there if it can be developed. As the training mission and the Brazilian Staff succeeded in developing units or even areas capable of receiving, handling, and using equipment, this should be supplied.

(c) Any arrangement made for supplying matériel should include an absolute agreement that none of this matériel be sold or disposed of outside the country, without the consent of the Joint United States-Brazil Military Commission.

(d) It may also be added that there is no point in delivering motorized equipment unless and until it is known that adequate supplies of motor fuel and oil will reach the country, and that they can be detached from civilian use. The paper deals with storage and handling, but not supply. There is not at present sufficient storage capacity for oil in the country, and substantially no internal production.¹² I regard this as substantially a Brazilian problem because something is going to have to be done about oil in Brazil anyhow; and my recommendation would be that this part of the paper be reviewed by our petroleum men with a view to blocking out a reasonably effective internal storage and pipeline supply system for Brazil's civilian needs, and that that in turn be somewhat modified to meet the military situation. It should be added that there is some indication that Brazil will move into internal production of petroleum in the not distant future, and that as a result the calculations can be somewhat revised. But I think it should be pointed out to everybody concerned that a modern Army without fuel to run its motorized equipment is a dead thing. Other countries may not, indefinitely, have oil for export, especially in war-time.

(9) *Oil and transport*: The Department's particular attention should be called to Annex No. 8 which is a memorandum from General Kroner to General Wooten for the attention of General Hertford,¹³ dated December 13, 1944. This memorandum makes the point we made above, namely, that local supply of necessary fuels within the country is essential; and concludes that Brazil should be urged to change her national law so that foreign oil companies may develop and exploit the oil resources of Brazil. The premises are correct: internal fuel supply is essential, and the quickest way of getting ex-

¹² See documentation on the United States concern with problems related to supplying of petroleum to Brazil, pp. 678 ff.

¹³ Brig. Gen. Kenner F. Hertford, Deputy Theater Commander of the United States Army Forces, South Atlantic.

plotation would be to let in the foreign oil companies. Politically, however, Brazil is unlikely to welcome this: her present policy is one of treating foreign capital fairly well, but of being pretty cautious about allowing foreigners to get a grip on the essential resources of the country. I do not think this policy will change. Some recent tentative soundings suggest the possibility that American oil companies might be enabled to go into Brazil, probably with Brazilian partnership, if Brazil and the United States were to enter into a Government-to-Government agreement setting up a joint United States-Brazil commission which would police the resulting agreements, each Government agreeing to keep its own private interests in line, assuring competitive and non-cartelized marketing, and reviewing the results from time to time with a view to seeing that the public gets the benefit of the resources. I think this line ought to be explored as a possible practical solution. President Vargas' present attitude is that he trusts the American Government but does not trust the American oil companies which he believes are in cartel agreement with the British; and there is widespread belief that the British would throttle the distribution of oil in this country in order to maintain a continuing market for British coal. President Roosevelt, before his death, was struggling with the idea of a possible joint United States-Brazil oil exploration company to be owned directly by the Governments, operating in those fields which were closed to the private companies; but if a quick solution is desired, the former alternative seems more likely to offer immediate results.

The same annex-memorandum makes some observations about railroads as, for instance, that the Brazilian railroads shall be re-equipped so as to have a single standard gauge, and recommends coordination of highway construction with railway development. Since the bulk of Brazilian railroads are at present on meter gauge, this amounts to a recommendation that Brazil reconstruct approximately three-fourths of her entire railroad system, which she obviously is not in a position to do except under some very unusual form of international arrangement—such as a billion dollar loan. To get rapid results, this would have to be accompanied by contract to American engineers to do the job. This part of the paper seems unrealistic, though the need of unification and reorganization of Brazilian railroads is evident to every student of the subject except the Brazilian railroad men, most of whom resent suggestions along this line. In this connection, the observations made by Interstate Commerce Commissioner Clyde B. Aitchison on the occasion of his recent visit are more nearly in line with the possibilities.

(10) *Strategy and organization*: Not being qualified as to strategic matters, and having no independent military advice available (the

Military Attaché's Office is actually responsible for most of the paper) this report does not comment on the annexes relating to the organization of the Brazilian Army, the estimate of the strategic situation, the strategic installations requiring protection, or the methods of training. It is assumed that these are in line with ordinary American conceptions on these points.

(11) *Cost*: I repeat the observation made in connection with the Naval Staff Conversations, namely, that Brazil has not unlimited revenue and she must choose between developing the productive economic situation of the country, and large military establishment. Wherever the choice has to be made, her major contribution would seem to lie along the line of constructive economic development, rather than purely military evolution. If the constructive side of the Staff paper is emphasized—namely, improvement of transport, improvement of highways, and improvement of technical training for men undergoing military service in the Army who are presently to be released for civilian life—in these aspects the implementation of the paper could be of solid advantage to Brazil in her civilian life, and would correspondingly strengthen her ability to join in the defense of the hemisphere or in maintaining peace therein. Failure to do this probably would weaken her; and, 25 years from now, a country of 80,000,000 or 90,000,000 people undeveloped economically would be not a strength but a serious problem.

It follows that money spent in the constructive parts of the program probably would be well spent.

Costs resulting from the purchase of matériel (which in any event will be obsolete in a relatively short time) and additional money spent in pay of Army officers, would be a net drain on the economics of the country. If matériel is turned over at nominal cost as surplus liquidation, perhaps much of this could be avoided. Yet it is evident that Brazil, in any event, will maintain an Army of approximately 180,000 men, and that she will, in any event, pursue a program of compulsory military training with a plan for mobilizing reserves. Properly administered, and if matériel is not too costly, the additional expense resulting from implementation of the training features should not be unduly great; while the results of expenditures put into highways, fuel development, communications and railroads would be of solid productive benefit. Wherever possible these last should not be placed under Army control, but should be retained as a responsibility of the civilian Government, following out plans which will be of use to the Army should occasion arise. Were the civil side of these expenditures thrown under Army organization, the result might be to create a disproportionately strong political-economic force in the country. In the main, Brazil has thus far been fortunate in having an Army which

has not had delusions of grandeur and has never undertaken to try to run the civil administration of this country.

(12) *Conclusions*: The program, scheduled in the light of these considerations, might be a solid benefit to the internal development of the country; and would probably produce as satisfactory results in terms of possible future military cooperation as can be expected. This is on the assumption that Brazil is not asked to pay a huge amount of money for war matériel, but that this can be obtained at a nominal cost from American surplus.

Respectfully yours,

A. A. BERLE, JR.

810.20 Defense/7-2745

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

No. 2196

RIO DE JANEIRO, July 27, 1945.

SIR: I have the honor to report on the Air Force Staff Conversations had between the United States and Brazil which are embodied in a memorandum entitled "Missions and Plans of the Brazilian Air Force", signed at Rio de Janeiro on April 12, 1945 respectively by Major General Ralph H. Wooten, Commander L. W. Williams, and Colonel John D. Gillett, and by J. F. Salgado Filho, Air Minister, and Major Luiz R. D. O. Sampaio for Brazil. To these are attached a series of annexes which appear to be numbered respectively two to six. These Air Force Staff Conversations are companions to the Naval Staff Conversations and the Ground Force Staff Conversations, and are separately reported upon.

These Staff Conversations were conducted entirely between the officers of the Air Forces of Brazil and the United States respectively without intervention of the Embassy. The Department is therefore not committed. The text of the Staff Conversations is presumably available to the Department in Washington through the War Department, since it appears that they were delivered to the War Department by General Wooten on the occasion of his visit to Washington in April and early May.

(1) *Form*: The form of the paper consists of the memorandum referred to above designed to set out the conception of the function of the Brazilian Air Force (FAB) in defense of Brazilian security and in assisting in the defense of the hemisphere. Detail appears in the annexes. This memorandum is a statement of the desires of the Government of Brazil and is forwarded to the War Department without recommendation by the American officers. It is, however, understood that the American officers participating in these conversations favor the full implementation of the plan as rapidly as possible; and there

is no question that the Brazilian Air Force with the backing of the Brazilian Government likewise favors this.

(2) *Underlying conception:* The primary conception of the Air Force thus to be built is that of an Air Force designed to defend the hemisphere and assist in preserving peace within the hemisphere. The conception assumes a very considerable expansion of the Brazilian Air Force, namely, increase from 14,000 officers and men (1945) to 25,654 (1948); an increase in the actual number of ships in the air (without counting ships working exclusively in cooperation with the Navy) running into considerable amounts. For instance: fighter bombers are to be increased from 60 (1945) to 200 (1949); light bombers from 57 (1945) to 60 (1949); medium bombers from 41 (1945) to 120 (1949); heavy bombers from none to 12 (1948); transport from 9 (1945) to 150 (1949); patrol planes from 21 (1945) to 60 (1948). (See Annex No. 3, memorandum entitled "Training", page 6.) The resulting force will be presumably very much larger than any other force in South America, and unquestionably larger than the capacity of any other South American country to support with the exception of Argentina. Were it adopted, Brazil would have unquestioned air supremacy so that no nation or group of nations in South America could oppose her. Technically she would have the continent at her mercy. Given her pacific tendencies, this is not of itself a danger. Nor given her size and position, can it be said to be disproportionate to her territory, population and obligations. The fact has to be faced that Brazil with roughly half the territory and roughly half the population of the entire continent is destined to have the major position in the continent, if she is able to develop powers of organization giving her capacity to use her manpower and her resources. Of this last there is still a question. Argentina, with one-third the population, has an unquestionably higher power of organization at the moment. On the other hand, Brazil as an essentially pacific country is not likely to abuse her position; whereas certain other South American countries frequently betray a tendency toward expansionism when they are in a position of military supremacy. Broadly speaking, the political theory of the Air Force Conversations, like that of the Naval and Ground Force Conversations, was that Brazil if armed would be a force for peace and defense, and not for war and expansion; and on the historical and psychological record of Brazil, this assumption seems warranted. Observations as to the size of the force follow in a later paragraph.

(3) *Organization:* The organization proposed, while not very definitely set out, undoubtedly contemplates substantially the same arrangement suggested in the Ground Force Conversations, and the comments made in Embassy's report thereon are applicable here.

Apparently the Air Force training section is to be, in effect, a section of the Military Commission and subject to it.

Immediately the Air Force section primarily for training purposes is to consist of a chief of section (United States Army Air Forces) and a joint chief to take care of naval requirements; a sub-chief covering flying training with six assistants for various technical arms; a sub-chief of technical training with two assistants; a sub-chief for communications and weather with three assistants; a sub-chief of maintenance and supply with four assistants; a sub-chief of naval operations with four assistants; and a sub-chief of personnel and administration with three assistants. Additional personnel for temporary duty may be assigned from time to time.

The foregoing organization does not seem unwieldy or out of line. It is questionable whether the Brazilian Navy should be encouraged to have a separate auxiliary force, and the naval operations sub-chief would stand or fall by that determination.

(4) *Civil air considerations arising out of proposed expansion:* While I raise no question as to training (separately considered hereafter) an important general consideration must be raised about the proposed expansion of the Air Force. Brazilian civil aviation is endeavoring to expand in response to a plain and bitter economic need; and a number of Brazilian airlines have to meet their requirements as best they can. It is assumed that in the not too distant future supply of civilian airplanes will be available from the United States. But this will not answer the crying need of trained personnel: pilots, ground crew and maintenance people, weather, communications and airport men, et cetera. At the moment, the expansion of the Brazilian Air Force is directly blocking this line of progress, for men, as they are trained, are absorbed into the Brazilian Air Force and thus do not assist Brazilian civil aviation. Continued expansion of the Air Force will continuously maintain this condition of competition for trained men,—with the Air Force always in a long lead. At the moment, when trained men are scarce, there is a plain conflict of interest between Brazilian civil aviation and Brazilian military aviation, and this conflict must be dissolved. Even in the narrow interest of the United States solution is needed; since, if Brazil leaves her civil aviation unstaffed to build up her military, foreign interests will rush in to fill the gap thus created.

The Embassy has repeated requests from civil airlines and the rudimentary government civil aviation organization to train pilots and ground crews. Yet ground crews are being excellently trained by Paul Riddle at his school in São Paulo in considerable numbers for the Air Force; and additional numbers are to be trained under the provisions of the paper under reference.

Some arrangement should be worked out by which the pilots, ground crews, maintenance people and other technicians trained under this program or any substitute program, instead of being immobilized in the Brazilian Air Force, will be placed on reserve and used for civilian airlines. In this way the training facilities will provide ground, maintenance and air men available when needed, but engaged in civil aviation. There is probably no practical way by which the United States Government can be of major assistance in civil aviation. The proposed organization outlined in the paper will be the substantial aviation instrument with which we have to work. Consequently it should be made to do double duty: both staffing Brazilian civil aviation and training Brazilian military aviation. This should not be too difficult to work out.

The logic and necessity of this are demonstrated by Section III of the paper, and particularly page 5. This section provides among other things that, to offset inadequate surface transportation in Brazil, provision must be made for 10 transport squadrons.

(5) *Airways traffic control and air communications*: I regret that I am not in agreement with the policy further proposed in Section III, paragraph 4 (page 5 of the paper) relating to airways traffic control, communications, and to a less extent weather service. The ideas are further developed in Annex No. 5. Briefly, this proposes centralizing, under the Army, a director of air routes which shall include a division of air communications, weather and air traffic. This apparently is not limited to military communications. This officer is supposed not only to plan a communications system for Brazil, but he is supposed to exercise traffic control over all airways, including operation of all control towers throughout Brazil, civilian as well as military.

The thought behind this is understandable. The Army officers had in mind that an Air Force is useless without communication and tower control systems; that a civilian system would hardly meet military needs; and that it was asking a good deal of Brazil to have a double system of military airfields and civilian airfields. Therefore they proposed centralization, entirely under the military. In the abstract there is much to be said for the conception; but the fact is that it will not work, and indeed the Minister of Aeronautics, Salgado Filho, has indicated to me that his mind is running along different lines.

Military control of the airfields does not work too well even for the military themselves. In the United States, a major general will receive and scrupulously follow the orders of a technical sergeant in the control tower. In Brazil, even a second lieutenant will at once assert his rank and give orders from the plane to the tower, instead of

vice versa. For instance, in bad weather where a number of planes are circling the field and the tower attempts to regulate their descent, the ranking officer will undertake to control the situation, or land on his own; and a number of accidents have already occurred. Equally, in such elementary matters as loading the planes, et cetera, the Army jurisdiction is exercised because officers the world over and especially in Brazil like to take care of their friends, and occasionally to exhibit their power. At least one very bad accident took place recently because of just this fact. Further, the civilian airlines are asked to fly the planes and assume responsibility for the lives of passengers; but if they get within radio range of the control tower of a military field, especially in bad weather, they are completely in the hands of men about whom they know nothing, over whom they have no control, and whose primary obligation is to their military brethren.

In the control tower itself the situation is no different. Given a lieutenant and a couple of sergeants who are trained for and do know the control tower business, and the arrival on post of a colonel who does not, and the colonel will promptly give orders which these men are bound to obey.

These considerations were cited to me by the Minister of Aeronautics as inclining him to the belief that civilian airways would have to be separately controlled by a civilian organization, the Army being under orders, wherever it made use of a civilian field, to abide by the traffic control and communication systems of the civilian authority. The fact is that the Brazilian Air Force is vastly interested in flying, and only indifferently interested in ground control and maintenance; and at least eight or ten years will have to pass before they realize that the pilot and flight crew are only a small part of an integrated team.

With regret, therefore, I feel that our Army Air Forces should be told to separate the civilian from the military, possibly using their training to provide technicians available for civilian control, but on no account undertaking to assume joint responsibility for the probable fiasco of attempting military control over civilian air communications and airfield control.

I am not sure that the same observation would apply to weather reports. Quite conceivably the military could undertake the meteorological work.

(6) *Use of American craft:* The paper is wholly sound in suggesting that the Brazilian Air Force be equipped with American craft and matériel. The terms are not stated; but it is obviously to the advantage both of Brazil and the United States to assure that air equipment shall come from within the hemisphere. Failure to do this will simply mean that in time Brazil will be flooded with obsolete air equipment from Europe.

(7) *Cost:* The estimated cost of the program outlined in the paper runs from approximately \$9,000,000 for the year 1945 up to \$23,000,000 for the year 1948 to which must be added an amount equal to about another \$1,200,000 annually for training. In addition to this, as the paper states, the projected Air Force "will require a tremendous expansion of Brazilian industry to produce the many and complicated items of equipment, parts and munitions . . .^{13a} as may be required from the United States." Since military aviation is not only static, but rapidly entering a new phase of change, it may be expected that these costs will be greater than the present estimate. I personally would prefer to trim down the program somewhat, spending a good deal of this money in airports where they can be serviceable throughout the country, primarily for civilian use but equipped for take-over in time of war; and take the expansion of the Brazilian Air Force on a pretty slow time schedule.

On the other hand, I should recommend the staffing of the airfields and air bases contemplated by the paper, which appear to be set forth in an exhibit attached to Annex No. 2, though Annex No. 2 as such does not undertake to list them. As before stated, where these bases are primarily used for civilian operation, I should prefer that the training mission develop technicians which can be used as civilians and taken over by the Army when the field is being used for military purposes. Probably further studies should be made as to additional fields which the military might open.

(8) *Radio ranges and existing facilities:* There being no other practical method of keeping certain facilities in operation, I agree in the proposal that an interlocking radio range system should be established along the principal air routes, along the coast and along the Barreiras cut-off route from Belém to Rio. This would be done by taking over the range facilities presently owned and operated by the United States Army and Navy; and that, unless effective civilian means be found to do this, assistance be given in acquiring and operating the additional facilities for radio communications, radio direction stations and weather stations. Whether this be done through the military or the civilian side of the Brazilian Government will turn on the ultimate decision of the Ministry of Aeronautics; my surmise would be that he will decide in favor of the civilian system; and I should hope that this might be manned by technicians trained through the joint commission.

(9) *Petroleum:* The program calls for steadily increasing consumption of aviation gasoline ultimately amounting to 118,000,000 liters, together with slightly less than 6,000,000 kilos of oil. The paper recommends (Annex No. 6) that Brazil buy these products respectively from Standard Oil Company of Brazil and Socony Vacuum Oil Company. I note the point without comment; but it is entirely pos-

^{13a} Omission indicated in the original despatch.

sible that other companies including Gulf will presently be in the market. The Embassy is not in a position to comment on the report of the additional tank installations asked for; but in realizing any such program it is believed that, wherever civilian interest conflicts with military, the civilian should prevail for the next few years. Brazil is bound both to consume more oil and probably to produce oil; and it is probably of greater importance now that she get her civilian oil picture in shape than that she starve her civilian economy for military facilities. Possibly an accommodation between the two can be made without undue difficulty.

(10) *Conclusions:* My feeling is that the paper in its general aspects is sound; that the program is more ambitious than it needs to be, except with respect to bases, airfields and communications, which can be made useful for civilian flying. The training program seems sound and not unduly expensive. The proposed total overall strength seems to me unnecessary at this time, and should be attained very gradually. It seems unwise to freeze unduly the types of planes to be used in view of the present state of the art. The training should be so handled that the trainees can be channeled into civilian aviation; and the recommendation that the military be given control over airfields, airways, tower control, et cetera, seems to me to call for revision in view of the practical difficulties. It must be remembered that any military aviation arrangements made on the basis of today's matériel and tactics will be obsolete five years from now; and that there appears to be no immediate strategic need for a large Air Force in Brazil during the next five years, either for defense from attack from without, or for putting down aggression from within. A far more limited Air Force in being will still give Brazil clear superiority; and what she needs now is trained men who can be brought into the program that will emerge when a larger Air Force is needed. When needed, that program will undoubtedly be quite different from any program anyone could draw today.

Respectfully yours,

A. A. BERLE, JR.

711.32/12-2845 : Telegram

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

RIO DE JANEIRO, December 28, 1945—9 p. m.

[Received December 29—3:05 a. m.]

3792. This morning Col. Bina Machado called at my office and after expressing the hope that I would not object to his speaking frankly made several observations on Brazilian-American cooperation, particularly military cooperation. Col. Bina said that the views he was expressing were not only his own but likewise reflected those of

General Dutra,¹⁴ General Goes Monteiro¹⁵ and General Canrobert. In view of Col. Bina's continuing influential position in War Dept. and close relations with those three officers, this statement seems credible.

Col. Bina said that as a true friend of the US he viewed with the utmost alarm the recent growth of anti-American sentiment in high Brazilian Army circles, gravely threatening the future of Brazilian-American military cooperation. He said that the feeling was growing that the US was inclined to treat Brazil as a small brother rather than an important nation pledged to full military cooperation. He said doubts existed that the US even was sincerely desirous of following a wholehearted policy of cooperation with Brazil.

I expressed regret to Col. Bina that such sentiments existed and said I felt I could assure him without reservation that the US was indeed sincerely desirous of cooperating fully with Brazil in military and all other matters. I inquired what causes might exist for the lack of confidence to which he referred. In reply he referred to the staff conversations of last spring stating that the Brazilian Govt. which had taken them seriously and approved them at the highest level, had not yet been informed officially of the position of the US Govt in regard thereto or even of the receipt of the papers. He felt that this apparent neglect on the part of the US Govt in a matter of paramount importance to the two countries was becoming increasingly difficult to understand. I inquired through what channel he felt a statement from the Govt in regard to the conversations should be transmitted and he replied that this should be through the joint Brazil-US Military Commission.

Col. Bina then referred to the unusual procedure followed in regard to the designation of General Shugg¹⁶ and General Gates¹⁷ to serve as CS [US] members on the Mixed Commission. Notwithstanding the agreement earlier reached that appointments of these important posts were to be the subject of prior clearance with the Brazilian Govt, the War Dept. appeared to have sent them here to assume their respective commands without waiting for their clearances. He stated there existed resentment in Brazilian Army circles because of

¹⁴ President-elect Gen. Enrico Gaspar Dutra.

¹⁵ Brazilian Minister of War.

¹⁶ Brig. Generals Roland P. Shugg and Byron E. Gates, United States Senior Ground Member and Army Air Member, respectively, of the Joint Brazil-United States Military Commission at Rio de Janeiro.

¹⁷ On November 14 and 16 the Department of State had initiated through the Brazilian Ambassador in Washington requests for clearance by the Brazilian Government of Generals Shugg and Gates, respectively, for the appointments to the Joint Commission. When General Shugg arrived in Rio de Janeiro in the second week of December, his formal approval had not yet been received, but the records indicate that it was promised by the Minister of Foreign Affairs. Generals Shugg and Gates were formally approved by notes of December 26 and January 2, respectively, from the Ministry of Foreign Affairs, but General Shugg was soon reassigned. (S32.20 Missions/10-3045-1/1746)

the procedure followed, that the matter had been discussed vigorously and bitterly during a 3-hour meeting not long ago of Brazilian officers, and that the War Ministry's resentment had been communicated to the Itamaraty.¹⁸ He added that the US Govt. had apparently paid no attention to a request he said was transmitted through Ambassador Martins in Washington that no change be made in the military mission pending assumption of new Govt.

I assured Col. Bina of my desire to do everything possible to straighten out any misunderstandings which may have arisen and expressed appreciation for his frankness. I said I would telegraph Washington in the hope that speedy action could be taken to improve the situation and restore a basis of confidence.

From the foregoing it is obvious that immediate action must be taken by the interested agencies, including State, War, and Navy to produce concrete results pursuant to the staff conversations early this year. Failure to take immediate action will aggravate the unfortunate situation described above, prejudice the standing of our military personnel in Brazil, and gravely threaten the whole future of American-Brazilian military cooperation. It is believed the State Dept. has a vital interest in this matter as well as the other agencies involved and should lend its full cooperation in cutting across any obstacles which may have hitherto prevented the shipment of certain urgently needed military equipment required for training and other purposes by the Brazilian Army. Thus if the whole prospective program cannot be elaborated and implemented immediately no reason exists for not showing immediate action and interest through the sole channel provided for that purpose, namely the joint Brazil-U.S. Military Commission and it would be helpful to the Embassy to be informed promptly of action taken in this regard, in view of the fact that the failure to act will have effects far transcending the immediate military necessity.

DANIELS

711.32/12-2945: Telegram

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

WASHINGTON, December 31, 1945—2 p. m.

2844. An effort will be made within a few days to give you a more responsive reply to your telegrams nos. 3792, December 28, and 3998, December 29,¹⁹ concerning your talks with Colonel Bina Machado and General Dutra. In the meanwhile however you may rest assured and may so categorically inform the gentleman with whom you spoke that this Government's policy of full cooperation with Brazil remains

¹⁸ Itamaraty Palace, the Brazilian Foreign Ministry.

¹⁹ Latter not printed.

in every particular unchanged. It is preferable to reserve for the time being any full discussion of the military matters you mention pending a complete examination of all of the facts and circumstances which will not be possible until several people who are now out of town return after the New Year's holidays. Chalmers²⁰ is in Boston and will see Berle at Great Barrington on January 2. It is hoped that their conversation will tend further to clarify the situation. It is our most earnest desire to keep our relations with Brazil on the same intimately friendly basis that has existed traditionally and particularly throughout the war and you may tell both Bina Machado and Dutra that our every effort will be bent on this and that we are sure that we will receive from Brazil the same understanding and frankness which has characterized our dealings in the past. You may say that you will have a further talk with them as soon as the Department has been able to give you a somewhat fuller reply.

For your secret information, it strikes us here that certain elements perhaps both in Brazil and Washington may be stirring up trouble on this matter. We may be in error on this but in any event we will welcome a frank and confidential expression of your own views.

BYRNES

ENTRY OF BRAZIL INTO THE WAR WITH JAPAN AND QUESTIONS CONCERNING THE DISPOSAL OF AMERICAN MILITARY BASES IN BRAZIL²¹

S11.34532/3-2045 : Telegram

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

RIO DE JANEIRO, March 20, 1945—2 p. m.

[Received 5:07 p. m.]

866. The Embassy understands that Admiral Munroe²² is working on plans for withdrawal of the Navy from considerable parts of the Brazilian theatre. In accordance therewith his general outlined plan contemplates turning over to the Brazilian Navy under lend-lease²³ the movable Navy supplies (other than the critical supplies which are to be removed) and in conjunction therewith the turning over to the Brazilian Air Force of certain American airfields in Brazil.

²⁰ Philip O. Chalmers, Chief, Division of Brazilian Affairs.

²¹ For previous documentation on American-Brazilian cooperation in defense measures, see *Foreign Relations*, 1944, vol. VII, pp. 543 ff., pp. 566 ff., and pp. 567 ff. For an official narrative account, see Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, in the official Army history *United States Army in World War II: The Western Hemisphere* (Washington, Government Printing Office, 1960), pp. 303 ff.

²² Adm. William R. Munroe, Commander of the Fourth Fleet.

²³ For draft text of basic Lend-Lease Agreement for the Latin American Republics, with specific reference to Brazil, see *Foreign Relations*, 1941, vol. VI, p. 139.

For the guidance of the Embassy I request that the Department cable the following information:

1. Are we correct in understanding that all of the real property and fixtures belong to Brazil under the agreement covering their installation?

2. Have the turnover plans for this theatre been checked with the postwar planning committee of the Joint Chiefs of Staff so that suitable provision is being made in respect to those fields or bases which might be necessary for the defense of the hemisphere, perhaps under cooperative arrangement between Brazil and the United States? In this connection it will be recalled that the Army Air Force has already negotiated such an arrangement with regard to certain bases with the Brazilian Government, but at that time the Navy held this subject over for further consideration and later action.

The point of course, is that any cooperative arrangements regarding airfields or bases ought to be negotiated in conjunction with the proposed turnover of material rather than at a later time.

The contemplated procedure is to secure a blanket requisition by the Brazilian Navy and Air Force for all of the equipment of these bases and fields (other than critical) after which the bases and the material would be turned over in bulk to the Brazilian Navy or the Brazilian Air Force as the case might be.

Admiral Munroe is expected in Rio in a few days and I hope to discuss the matter with him. The Joint Chiefs of Staff plan for cooperative use of bases, et cetera, which was the foundation of the Army arrangement, but not as yet implemented by the Navy, is in the hands of the Under Secretary.²⁴

BERLE

811.34532/3-2045 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, March 22, 1945—8 p. m.

764. Your telegram 866, March 20, 2 p. m. The Navy Department says that Admiral Munroe is merely implementing the Navy's long-range policy approved by the State Department of gradual withdrawal from Brazil. No abandonment of bases is contemplated in the immediate future. I suggest that you talk over the problem with General Wooten²⁵ and Admiral Munroe. In the meantime we are preparing in conjunction with War and Navy a more explicit reply to your inquiry.

GREW

²⁴ Joseph C. Grew.

²⁵ Maj. Gen. Ralph H. Wooten, Commanding General, United States Army Forces, South Atlantic.

740.0011 PW/5-1045 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, May 10, 1945—7 p. m.

1201. Various press reports attribute to President Vargas statements to the effect that Brazilian bases will be kept available for Allied use until the end of the Japanese war and that Brazilian troops will be sent against Japan if the need arises.

We would appreciate confirmation and comment from you on these reports.

GREW

740.0011 PW/5-1145 : Telegram

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

RIO DE JANEIRO, May 11, 1945—10 a. m.

[Received 12:45 p. m.]

1478. For the President, the Secretary, and Rockefeller.²⁶ Have received information that Brazilian Government would welcome "invitation" from United States to declare war on Japan, that Itamaraty²⁷ considers the moment opportune for such declaration, and that recent declaration of President Vargas in response to question put by *New York Times* made with this in mind. Brazilian Government would base its action on need for solidarity among all American Republics, all of whom have now declared war on Japan except Brazil and Colombia; and on fact that Japan is and remains an aggressor against an American state. Brazilian Government obviously hopes that similar invitation will be extended to Colombia at same time.

For Department's top secret information, this intimation came through Macedo Soares.²⁸ Procedure, as he sees it, would be suggestion from United States to Brazil and Colombia that declaration of war on Japan by them would be welcome; in which case Brazilian Government would promptly accept. Please cable instructions urgently.

BERLE

740.0011 PW/5-3045

*Memorandum to the Secretary of State by the Acting Chairman,
State-War-Navy Coordinating Committee (Matthews)*

WASHINGTON, May 30, 1945.

Subject: Proposed Declaration of War Upon Japan by Brazil

Reference is made to your identical letters to the Secretaries of War and the Navy dated 23 May 1945²⁹ on the above subject.

²⁶ Assistant Secretary of State Nelson A. Rockefeller.

²⁷ Itamaraty Palace, the Brazilian Foreign Ministry.

²⁸ Acting Minister for Foreign Affairs.

²⁹ Not printed.

The Joint Chiefs of Staff are of the opinion that, from a military viewpoint, it does not matter whether or not Brazil enters the war against Japan.

The Joint Chiefs of Staff recommend, in connection with any approach to Brazil on the subject of its possible declaration of war against Japan, that no commitments be made on the political level relative to forces to be supplied by Brazil.

If the Brazilians raise the matter of a token force, they should be advised to take this up on a military level after the declaration of war.

The Secretaries of War and the Navy concur in the above views of the Joint Chiefs of Staff.

For the State-War-Navy Coordinating Committee:
H. FREEMAN MATTHEWS

811.34532/6-445

Memorandum to the Chief of the Aviation Division (Morgan) by Rear Admiral J. L. McCrea of the Office of the Chief of Naval Operations

WASHINGTON, June 4, 1945.

It is presently proposed to decommission and offer the following Naval Air Facilities to the Brazilians:

Maceio—Landplane and Seaplane Facility and a Lighter-than-Air Mast

Caravellas—Landplane Base and Lighter-than-Air Mast

Santa Cruz—Landplane Base and Lighter-than-Air Mast Base

The foregoing Naval Air Facilities are not included among the so-called "strategic airports" covered by the U.S.-Brazil military air agreement.³⁰ Turning over these facilities to the Brazilians will be accomplished through regular lend-lease procedure and in accordance with existing directives for the disposal of surplus property.

The concurrence of the Department of State in the above proposal is requested. The Army representatives in the field have indicated no interest in taking over these facilities but the matter is being further cleared with the War Department.

J. L. McCREA

³⁰ For text, see *Foreign Relations*, 1944, vol. VII, p. 561.

740.0011 P.W./6-145 : Telegram

The Acting Secretary of State to the Chargé in Brazil (Daniels)

WASHINGTON, June 6, 1945—noon.

1423. For Daniels. Embtel 1722, June 1.³¹ Following message has been received from San Francisco with request it be transmitted to Embassy.

"For Berle from Rockefeller. In reference to your wire I have had conversations with Velloso³² during the past 2 weeks concerning this matter. It was the opinion of the Department that it would be politically advantageous to have Brazil declare war on Japan and therefore the matter was taken up with the Joint Chiefs of Staff on that basis. They have given their approval together with an agreement to have a token participation from the Brazilian Air Force in the Pacific. Because of the difficulty of transportation and the necessity for retraining they are not in a position to make use of Brazilian ground troops. On this basis the matter was discussed by Secretary Stettinius with President Truman, who has given his approval and Acting Minister of Foreign Affairs Velloso has been informed of the above. In discussions here with Velloso it seems inadvisable that an official request be made by the United States that Brazil declare war on Japan, and it is our feeling that it would be better if you could state to the Foreign Office that the United States would be most appreciative of Brazil's cooperation and collaboration in the war in the Pacific. There is an important ramification in this situation, in that it means permanent use of Lend-Lease equipment which at the present time is barred because Brazil is no longer at war."

You are requested to convey substance of this information verbally to Acting Foreign Minister, omitting any reference to Lend-Lease matters, and confirm by telegraph to Dept. Embtel 1767, June 5,³³ received in Dept subsequent to preparation of foregoing message.

GREW

740.0011 PW/6-645 : Telegram

*The Brazilian Acting Minister for Foreign Affairs (Macedo Soares)
to the Acting Secretary of State*

[Translation]

RIO DE JANEIRO, June 6, 1945.

I have the honor to communicate to Your Excellency that the Brazilian Government, having for some time considered the aggres-

³¹ Not printed.

³² Pedro Leão Velloso, Brazilian Minister for Foreign Affairs, apparently conversed with Assistant Secretary Rockefeller at the United Nations Conference on International Organization at San Francisco.

³³ Not printed; in it the Ambassador reported Brazil's decision to declare a state of war against Japan (740.0011 PW/6-545).

sion of Japan against the United States of America as though it were directed against Brazil itself and desiring to cooperate for the final victory of the United Nations and their allies, resolved by a Decree dated today to declare the existence of a state of war with the above mentioned aggressor power.

I take this opportunity to renew to Your Excellency Brazil's confidence in the triumph over the common enemy.

Cordial salutations.³⁴

JOSÉ ROBERTO DE MACEDO SOARES

740.0011 PW/6-645 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, June 6, 1945—7 p. m.

1429. The President has sent the following telegram to President Vargas.

"The American people greet with enthusiasm the declaration by Your Excellency's Government of a state of war against the Japanese Empire. This act of our sister republic is significant, not only in that it throws the material and moral force of a great nation into the common struggle against a treacherous and cruel enemy, but because it also constitutes an additional bond in the historic friendship between Brazil and the United States, a tradition which finds its roots in the beginnings of our respective histories as independent nations. In the name of this Government and of the American people I express deep satisfaction in the thought that the Brazilian Government and people will be solidly at our side until the total defeat of the one remaining Axis aggressor. Harry S. Truman."

GREW

811.34532/6-845

*The Acting Secretary of State to the Secretary of the Navy
(Forrestal)*

WASHINGTON, June 13, 1945.

The Acting Secretary of State presents his compliments to the Honorable the Secretary of the Navy and refers to memoranda of June 4 and June 8, 1945 from Rear Admiral J. L. McCrea³⁵ requesting that the Navy Department be informed whether the Department of State concurs in the proposed disposal of U.S. Naval Air Facilities at Maceio, Caravellas, and Santa Cruz located in Brazil.

³⁴ For text of reply to this telegram by the Acting Secretary of State and a statement issued by him on June 6, see Department of State *Bulletin*, June 10, 1945, p. 1061.

³⁵ Memorandum of June 8 not printed.

The Department, from the standpoint of foreign relations, perceives no objection to the proposed action.

811.34532/8-1745

Memorandum to the Chief of the Aviation Division (Morgan) by Rear Admiral J. L. McCrea of the Office of the Chief of Naval Operations

WASHINGTON, August 17, 1945.

A naval lighter-than-air base at Igarape Assu, Brazil, is not now operating and is in Army custody. Since the Army wishes to withdraw from the facility, the Navy proposes to offer it to Brazil.

The views of the Department of State on the proposed disposition of the lighter-than-air base at Igarape Assu, Brazil, are requested.³⁶

J. L. McCREA

811.24532/8-2345 : Telegram

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

RIO DE JANEIRO, August 23, 1945—7 p. m.

[Received 11:19 p. m.]

2642. Reference conversations between State and War relating to withdrawal of forces here and reorganization of theater into Air Transport Command transportation base.

General Wooten objects to any statement indicating rollup U.S. Army Forces, South Atlantic or to withdrawal of its headquarters. He is leaving for Washington to have conferences in War Department on August 30. I think he is not in agreement with conversion of this area from theater into facilities for supporting Air Transport Command.

General Kroner³⁷ advises that Brazilian War Department unofficially informed him of request from Brazilian General commanding in that region that U.S. Army should begin to pull out and turn over an air and army installation at a base to Brazilian Army. I do not know that this needs to be taken too seriously but subject might get into politics.

I expect to discuss this matter with President Vargas within the next day or two. My present view is that if military forces are withdrawn with reasonable rapidity, first reaching stage of Air Transport Command and later stage of technical cooperation in handling bases

³⁶ In reply to this memorandum, the Secretary of State informed the Secretary of the Navy, in a note of August 31, that the Department of State perceived no objection to the proposed action (811.34532/8-1745).

³⁷ Brig. Gen. Hayes A. Kroner, United States Military Attaché in Brazil.

we shall be better off. In my judgment there is no reason why United States Army Forces, South Atlantic reorganization as first step should not be taken soon. How soon we should get to second stage would turn largely on degree of use to be made of these bases in bringing home American troops and probability Brazilians will want some long term technical cooperation. It is of course desirable that we do not get ourselves into position of being asked to leave.

Please give me confidentially War Department ideas on subject.

BERLE

811.24532/8-2745 : Telegram

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

RIO DE JANEIRO, August 27, 1945—6 p. m.

[Received 11: 11 p. m.]

2685. Pan American manager³⁹ came in to discuss rollup of Navy and Army turnover of air bases. This was plainly on instructions from Washington. He stated that Pan-Air⁴⁰ had responsibility as against Brazil for turning over these air bases to Brazilian Govt. and protecting U.S. commercial rights therein under outstanding Brazilian decree-law. Accordingly he asked representation in arrangements made with Brazilian authorities.

Today Captain Lanigan, in charge Navy rollup program, showed me instruction he has received from Navy stating it was considered desirable for Commander, South Atlantic Forces and Commanding General, United States Armed Forces, South Atlantic to discuss matters with Brazilian Air Minister⁴¹ for purpose of protecting commercial rights Pan American Airways with Pan American representative participating in discussions.

Both local Pan American manager and Navy Captain are unaware of agreement between Pan American Airways and War Dept. which was later re-negotiated⁴² providing that commercial air rights in these bases are subject to determination by U.S. Pan American is obviously endeavoring to try to make good on the ground the attempt they earlier made to secure exclusive commercial rights in the airports constructed with U.S. money. They have of course a perfect right to assure continued operation in some fashion of facilities needed by them for their air route; and obligation rests on U.S. to see that American commercial air rights are protected.

³⁹ H. W. Toomey, Regional Director, Pan American Airways System.

⁴⁰ Pan Air do Brasil, a subsidiary of Pan American Airways System.

⁴¹ Dr. Joaquim Pedro Salgado Filho.

⁴² For substance of contracts relating to airfield construction in Latin America, see Stetson Conn and Byron Fairchild, *The Framework of Hemisphere Defense*, pp. 251-254.

I propose to discuss forthwith understanding with Brazilian Govt. that these fields when turned over shall be available for American use in accordance with terms of Civil Air Agreement which I understand is on the way down. One term of either Army or Navy rollup ought to be that by acceptance of the bases Brazilian Govt. terminates any responsibility which Pan-Air may have to deliver these bases, thus clearing their record. Though Army turnover is still some time off, Navy has already turned over Santa Cruz field and Caravellas, and is about to turn over Maceio.

Plainly Pan American without consulting State made representations to Navy about its rights in these ADP⁴³ bases, and apparently did not inform Navy of the provisions of the contract with War Dept. as re-negotiated. It will be recalled that ADP contracts were under investigation by Truman Committee and Army invoked secrecy as reason for non-disclosure.⁴⁴ Believe whole situation should be canvassed between State, War, and Navy. Lovett⁴⁵ and Brownell,⁴⁶ War Dept., are fully conversant with matter.

BERLE

811.24532/8-2845 : Telegram

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

RIO DE JANEIRO, August 28, 1945.

[Received August 28—9:43 p. m.]

2704. Please advise War Department that Embassy issued following statement today.

"With the close of the Japanese war, and the end of virtually all organized resistance, the Government of the United States has been making plans for the withdrawal of the American forces stationed in Brazil. This is in accord with understandings between Brazil and the United States at the time of our entry into the war. Every American, in the Armed Forces and out of them, has the highest appreciation for the cooperative relations and warm friendship which have existed between all grades of the Armed Forces of Brazil and of the United States, both in Brazil and on the battle fronts.

⁴³ Airport Development Program.

⁴⁴ The Truman Committee, a Special Senate Committee investigating the National Defense Program, received copies of the original Agreement of November 2, 1940, and supplementary agreements through June 1943, as enclosures to a letter dated August 13, 1943, from Julius H. Amberg, Special Assistant to the Secretary of War, to Hugh Fulton, Chief Counsel of the Committee (810.79611 Pan American Airways/3429.) A copy of this letter was received in Mr. Berle's office as Assistant Secretary of State on October 28, 1943, but he may not have been aware of it, or he may have been referring here to the opposition by the War and Navy Departments, subsequently supported by President Roosevelt, to the Committee's proposal in 1944 to have the security classification removed from the documents.

⁴⁵ Robert A. Lovett, Assistant Secretary of War for Air.

⁴⁶ Col. George A. Brownell, Executive Officer, Office of the Assistant Secretary of War for Air.

The plans contemplate withdrawal of the American forces stationed in Brazil as rapidly as the bases have taken care of the transport requirements occasioned by returning troops. As soon as practicable, the headquarters of the United States Army Forces, South Atlantic, at Recife will be closed.

During such time as the Brazilian bases and airfields are required for the return of overseas forces, the cooperative arrangements between Brazilian and American authorities will be maintained for transport purposes.

The United States will provide and maintain such continuing technical assistance as may be useful to the Brazilian authorities in operating the installations as they are progressively turned over to Brazilian personnel."

This complies with Department's instructions. Prior to release, I yesterday discussed statement with President Vargas who appeared glad it was coming out. He remarked that they had never had any doubt that United States would withdraw its troops but that plain statement would prevent exploitation of their presence by unfriendly political elements.

BERLE

811.24532/9-1045 : Telegram

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

RIO DE JANEIRO, September 10, 1945—7 p. m.

[Received 8:52 p. m.]

2830. Understand revised arrangement for evacuation of Brazilian bases presently under American operation contemplates withdrawal of United States Armed Forces, South Atlantic Headquarters from Recife on or about October 31, after which General Wooten will come to Rio where he will act as American member of mixed Brazilian-American Base Commission.

Dept. will wish promptly to consider whether one or more other members should be appointed with special reference to possibility of member familiar with civil aviation needs.

It is evident the problem will be so handling bases that they continue to be well operated for purposes of civil air traffic as well as military.

BERLE

811.24532/9-1445

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

No. 2803

RIO DE JANEIRO, September 14, 1945.

[Received September 21.]

SIR: In connection with the gradual withdrawal of American troops from Brazilian airfields and bases now operated by them, I

have the honor to report that I have delivered two memoranda, copies of which are attached,⁴⁷ to the Brazilian Ministry of Foreign Affairs.

The first of these gives confidential information as to the plan under which the United States Army Forces, South Atlantic, are presently proceeding, and calls attention to certain interests which of record correspond to Pan Air do Brasil, and which should be protected.

The second memorandum proposes that the Brazilian Government now appoint its members of the technical commission for the conservation of airports contemplated under the Brazilian-American agreement transmitted to the Department by Ambassador Caffery on June 14, 1944.

Both of these memoranda were worked out in conjunction with General Wooten as a result of his recent conference in Washington and were based on his statements of the policy arrived at as a result of these discussions.

I should add that the method of handling seems to be the only practicable line to adopt under all the circumstances. My understanding is that, though the information as to policy comes through the War Department, the procedure was approved by the State Department prior to General Wooten's return.

Respectfully yours,

A. A. BERLE, JR.

811.24532/9-1045 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, September 21, 1945—7 p. m.

2295. State, War and Navy are agreed that early activation of Strategic Base Agreement with Brazil is desirable. You are authorized to commence conversations with Braz authorities at earliest practicable date with view to formation of Technical Commission provided in Article 4 to assume responsibility for maintenance and control of these airports on withdrawal of ATC⁴⁸ and other Army forces.

Army and Navy are designating General Wooten and Captain Lanigan respectively to furnish such technical assistance as you may require in connection with discussions. Following instructions are given for your general guidance, but you may feel free to make recommendations on these or other points as conversations develop.

1. US is prepared to continue maintenance and operation of bases enumerated in Agreement until termination of ATC operations, but believes understanding should be reached promptly for transition to arrangements contemplated by agreement.

2. Every attempt will be made to comply with Braz request that terms of Agreement remain secret until Brazil agrees otherwise.

⁴⁷ Neither printed.

⁴⁸ Air Transport Command.

However, because of Congressional jurisdiction over appropriation of funds, et cetera, you should point out that satisfactory implementation presents practical difficulties until secrecy restrictions are removed.

3. US expenditures should be kept to minimum consistent with proper protection of our interests and this should be borne in mind in discussions concerning division of maintenance and operating costs. Landing or facilities fees, if any, should be applied toward these costs. Facilities and equipment pertaining to maintenance and operation will be left at bases under control of Technical Commission, but you should endeavor to negotiate arrangement whereby US will receive credit against all or part of its share of these costs for reasonable period of time through making available certain supplies now in Brazil. Perhaps satisfactory arrangements can be made for Brazil to assume all labor costs for maintenance and operation.

4. US personnel remaining on bases after withdrawal of ATC will be kept to absolute minimum necessary for training Brazilians and protection of US interests under Agreement. Your recommendations and those of your military advisers in this regard should be submitted as soon as more definite information is available concerning (a) progress made by ATC in training Brazilians; (b) probable date for complete withdrawal of ATC; and (c) desires of Braz Air Ministry. Permanent base personnel requirements would be determined later by Technical Commission.

5. You should endeavor to secure Braz concurrence to eliminating Aratu Seaplane Base, Bahia, from terms of Agreement, since cost of maintenance out of proportion to prospective strategic or use value (see Chalmers' personal letter to you, Aug 23, with attached memoranda ⁴⁹). Army and Navy concur.

6. Embtel 2830 Sept 10. You may suggest to Braz authorities possibility of adding to Technical Commission representative of DAC ⁵⁰ and US Civil Air Attaché, or other qualified persons, to act in interests of civil aviation. Article 4 provides commission composed only of representatives of Braz Air Force and US Armed Forces, but Dept sees no reason why Armed Forces cannot designate civil representatives as well. Name of proposed US civil representative should be submitted to Dept for approval.

7. With reference to third paragraph Embtel 2685, Aug 27, Dept forwarding by airmail excerpt from War Dept letter containing pertinent provision of amended ADP contract (Dept's instruction 7517 Sept 19 ⁵¹). Complications in Panam picture arise from ambiguities

⁴⁹ None printed.

⁵⁰ *Directoria de Aeronáutica Civil*.

⁵¹ Not printed.

in Decree-Law 3462. It is understood that Panam contends that lease-back provisions of Decree-Law apply to all facilities constructed at airports either with their own or with US funds, whereas various Braz authorities are reported to have contended that lease-back provisions applied only to Panam's own facilities.

8. In this connection, it would be interesting to learn Braz reaction to proposals outlined in paragraphs 1, 2, 3 and 4 of *aide-mémoire* accompanying Dept's instruction 5226, Oct 30, 1943,⁵² to which would now be added provision based on Strategic Base Agreement that any operations of the strategic airports by Panair would necessarily be subject to supervision and regulations of the two Govts through Technical Commission. In such case, cost of operating facilities would be covered by fees charged users subject to approval of Commission. Cost of airport maintenance would be covered by funds supplied Commission by both Govts. Perhaps Brazil would have no objection to accepting conditions outlined in aforementioned 1943 *aide-mémoire* provided Technical Commission would have overriding authority.

It is desirable to know Braz interpretation of whatever obligations it has toward Panair under Decree-Law 3462 before considering other alternatives; such as permitting Technical Commission itself to operate facilities. (In latter event, we should insist that Panam be fully protected in its rights to all facilities installed with own funds.)

9. You are requested to explore this question and advise Dept of Braz attitude and course you recommend. Result is desired which will best preserve American military and civil rights in strategic airports and other airports in Brazil improved with US funds. Importance to this Govt of obtaining satisfactory rights for our military and for all our properly certificated civilian airlines transcends Panam's claims, if such claims are contrary to Braz interpretations of Decree-Law and to military and civilian air interests of this Govt.

10. You should be guided by policy laid down in Dept's telegram 4054, Oct 30, 1943,⁵³ initialed by President Roosevelt, and in second paragraph of Dept's instruction 5226, Oct. 30, 1943. Accordingly, Dept approves first two sentences, fourth paragraph, of Embtel 2685, Aug 27.

11. Dept considers it desirable that discussions of US civil air rights in Brazil be conducted simultaneously. You are requested to proceed accordingly, objective being, of course, to conclude bilateral agreement covering mutually satisfactory routes and full Fifth Freedom privileges. Methods of injecting this issue and of conducting conversations are left to your discretion.

⁵² Not printed; the instruction emphasized the policy of equal treatment for all United States airlines (832.7962/94).

⁵³ Not printed; this reiterated the policy of equal treatment for all United States airlines (832.7962/94).

12. Since full clearances have not yet been received in Washington (specifically Joint Chiefs of Staff), foregoing should be considered solely as authority for commencement of conversations to determine possibility of reaching satisfactory agreement on various points raised. Before making firm commitments, however, you are requested to refer matters back to Dept for final approval with appropriate comment and recommendations.

ACHESON

811.24532/9-2845 : Telegram

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

RIO DE JANEIRO, September 28, 1945—7 p. m.
[Received 8:38 p. m.]

3007. With further reference to preliminary negotiations for turn-over of air bases presently operated by USAFSA, General Wooten has been negotiating with General Trompowsky, Chief of Brazilian Air Force, and they have reached agreement as to method by which such turnover should be effected and handling of material located at these bases. General Wooten is sending text of this agreement by teletype from Recife with instruction to deliver it also to State.⁵⁵

General Wooten has been kind enough to keep me informed of negotiations and to go over with me draft which seems to me entirely in order.

Proposed agreement contemplates activation of Brazilian-American air base agreement so that when USAFSA concludes its work technical commission contemplated by that agreement can then take over.

BERLE

811.24532/11-545 : Telegram

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

RIO DE JANEIRO, November 5, 1945—7 p. m.
[Received November 5—7 p. m.]

3347. After dinner last night I took advantage of opportunity offered by presence of General Walsh⁵⁶ and Air Minister Trompowsky to discuss informally status of our base negotiations. Air Minister stated that Linhares⁵⁷ had given him full authority; but that after canvassing various sections of Air Force, all had stated

⁵⁵ Not printed.

⁵⁶ Maj. Gen. Robert L. Walsh, Office of the Commanding General, Army Air Forces.

⁵⁷ José Linhares. Upon the resignation of President Vargas in October 1945, Linhares, as President of the Supreme Court, assumed executive power.

that they were not in position to take over and maintain bases in their present state of efficiency. He said so far as he and rest of Brazilian Govt were concerned including General Gomes ⁵⁸ the ATC could stay there for as long a period as needed: nobody was worried.

He is going to study question of activating air base agreement but I gather has not yet got to point where he feels he can make decisions and wants it to run until after Dec. 2 elections if possible. I told him we were prepared to meet convenience of Brazilian Govt in that regard, although of course we wanted to get things in shape as soon as reasonably convenient.

BERLE

811.34532/12-445 : Telegram

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

RIO DE JANEIRO, December 4, 1945—5 p. m.

[Received December 4—4: 43 p. m.]

3603. Now that Kidd ⁵⁹ is here with full authority to liquidate surplus, Dept. may wish to inquire about status of U.S. naval operating base in Rio. It was left here nominally to complete "rollup" program, that is liquidate odds and ends. It has here more than 50 officers and 200 enlisted men and good many of officers seem not to have anything to do. Possibly discreet inquiry of Navy as to their policy in this regard would be useful in getting it brought to logical proportion.

BERLE

811.24532/12-745

The Secretary of War (Patterson) to the Secretary of State

WASHINGTON, December 7, 1945.

DEAR MR. SECRETARY: Your letter of 26 November 1945 ⁶⁰ inclosing a paraphrase of a telegram from Ambassador Berle concerning the maintenance of military air bases in Brazil has been received.

In view of your opinion that our long-range military rights in Brazil might be seriously jeopardized and the implementation of the Strategic Base Agreement made much more difficult should operations of the Air Transport Command terminate before the agreement is fully implemented, the deactivation of the Air Transport Command in Brazil will not be accomplished without prior consultation with the State Department.

⁵⁸ Major Brigadeiro Eduardo Gomes, Director of Air Routes.

⁵⁹ Philip C. Kidd, Field Commissioner for Latin America, Office of Foreign Liquidation Commission, Department of State.

⁶⁰ Not printed.

It is contemplated, however, that the number of personnel of the Air Transport Command in Brazil will be reduced wherever such reduction is consistent with operational needs.

Sincerely yours,

ROBERT P. PATTERSON

PROBLEMS CONCERNING LEND-LEASE SUPPLIES AND SURPLUS PROPERTY ⁶¹

832.24/2-945

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

No. 6841

WASHINGTON, February 9, 1945.

SIR: I enclose for your confidential information and files a copy of a note of even date sent to the Brazilian Embassy in Washington, together with a copy of Statement LL-3 ⁶² prepared by the Foreign Economic Administration, showing charges made against the Government of Brazil for the period from July 1 through November 30, 1944 covering defense articles transferred in accordance with the terms of the Lend-Lease Agreement signed on March 3, 1942 ⁶³ by representatives of this Government and the Government of the United States of Brazil.

In this connection, reference is made to the Department's note to the Brazilian Embassy dated December 16, 1942 (a copy of which was enclosed with the Department's confidential instruction no. 5987 dated May 31, 1944) ⁶⁴ in which the suggestion was made that any payments on account by the Government of Brazil await the presentation of schedules of articles transferred by this Government under the Lend-Lease Agreement of March 3, 1942.

Accordingly, the Department's note of May 31, 1944 to the Brazilian Embassy in Washington ⁶⁵ transmitted Statement LL-1 and requested the payment on account of \$23,333,333.33 which became due and payable on January 1, 1944 (Department's confidential instruction no. 5987, May 31, 1944). This same request was repeated in the Department's note to the Brazilian Embassy which transmitted Statement LL-2 and supporting schedules (Department's confidential airmail instruction no. 6436 dated October 4, 1944 ⁶⁶). Reference is also made to the Embassy's confidential despatch no. 18317 October 13, 1944, the Department's secret airgram no. A-1440 November 1, 1944,

⁶¹ For previous documentation on the subject of defense supplies and equipment for Brazil, see *Foreign Relations*, 1944, vol. VII, pp. 567 ff.

⁶² Neither printed.

⁶³ For draft text of basic agreement on lend-lease, applicable generally to Latin America, see *Foreign Relations*, 1941, vol. VI, p. 138. For text of Agreement with Brazil, signed on March 3, 1942, see *ibid.*, 1942, vol. V, p. 815.

⁶⁴ Neither printed.

⁶⁵ *Foreign Relations*, 1944, vol. VII, p. 581.

⁶⁶ Not printed.

and the Embassy's reply, restricted airgram no. A-2122 November 13, 1944.⁶⁷

To date, no payment on account has been received from the Government of Brazil, nor has any indication been received concerning when a reimbursement may be expected.

There is also enclosed a copy of the Department's confidential note of January 17, 1945 to the Brazilian Ambassador in Washington.⁶⁸ You will notice that this Government proposes an additional Lend-Lease Agreement with Brazil, entirely separate from the Agreement of March 3, 1942. The purpose of this proposed Agreement is (1) to insure that no limitations of a financial or other nature may restrict the furnishing of defense articles, defense services and defense information by this Government to the Brazilian Expeditionary Forces or impede its effective operations, and (2) to facilitate the transfer of defense aid to the Brazilian Expeditionary Forces on location in the theatres of war. This proposal has been referred to the Brazilian Government, according to a recent communication received from the Embassy in Washington.

In view of the situation described above, as well as the contents of the enclosed note of even date concerning Statement LL-3, you are requested to discreetly approach the appropriate Brazilian authorities at your earliest opportunity regarding the payment on account of the sum of \$35,000,000 which became due as of January 1, 1945 in accordance with the terms stipulated in Article III of the Lend-Lease Agreement. You should make it clear that irrespective of the response which may be made to the Department's note of January 17, 1945, the sum of \$35,000,000 is now due since no reimbursement payments have been made to date by Brazil.

For your information in connection with the desire of this Government that Brazil effect the payment requested, you are informed that several of the other American republics with which this Government has Lend-Lease Agreements have already made payments on their respective accounts, of which some are current. Moreover, you are requested to inform the appropriate officials that the Government of the United States will continue to maintain the policy of requiring reimbursement payments for matériel transferred under the terms of the respective Lend-Lease Agreements which it has signed with the various other American republics.

The payment on account of the sum of \$35,000,000 should be effected by the Government of Brazil in the form of a check made payable to the order of the "Treasurer of the United States, For the Account of

⁶⁷ None printed.

⁶⁸ Not printed.

the Foreign Economic Administration" which should be sent to the Department for appropriate disposition.

Very truly yours,

For the Secretary of State:
WILLIAM L. CLAYTON

832.24/7-745

The Acting Secretary of State to the Brazilian Ambassador (Martins)

WASHINGTON, July 7, 1945.

EXCELLENCY: I have the honor to refer to the Department's note of January 17, 1945⁶⁸ concerning a proposed supplementary agreement in revision of the agreement of March 3, 1942 between the United States of America and the United States of Brazil for the providing of defense articles and defense information by either country to the other country, and to your reply of January 18, 1945⁶⁸ indicating that you had informed your Government of the proposal of this Government.

Considering the successful completion of the war in Europe and the prospective return of the Brazilian Expeditionary Forces from Europe, this Government does not consider that the offer of a supplementary agreement made to your Government on January 17, 1945 is now appropriate and it is accordingly withdrawn. That proposal as you will recall, was made primarily in anticipation of the prospective needs of the Brazilian Expeditionary Forces in the actual theaters of war. Since your Government has not acted on the proposal presented to you, that proposal never became effective.

This Government realizes that the withdrawal of this proposal, as well as other factors, makes it imperative for our two Governments to consider an amendment to the agreement of March 3, 1942 and therefore this Government will presently formulate its views and communicate them to the Government of Brazil.

Accept [etc.]

JOSEPH C. GREW

832.24/7-1945: Telegram

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

RIO DE JANEIRO, July 19, 1945—5 p. m.

[Received July 20—2: 28 a. m.]

2275. I have reviewed with General Wooten,⁶⁹ Theater Commander, Colonel Blaine⁷⁰ of War Department, and with Naval Attaché, Cap-

⁶⁸ Not printed.

⁶⁹ Maj. Gen. Ralph H. Wooten, Commanding General United States Army Forces, South Atlantic.

⁷⁰ Presumably Col. D. Blaine, American Theater Section. Operations Division.

tain Cooke, situation created by change of policy with respect to lend-lease. If our information is correct, present policy cuts off immediately all lend-lease projects except those directly connected with war against Jap and thus apparently automatically terminates all lend-lease operations in progress here. Object of this telegram is to request Department immediately to consult with War and Navy Departments and secure such arrangements as may be needed to complete existing projects along lines hereafter discussed; and to make provision for certain other commitments which heretofore have been carried out through lend-lease but which nevertheless remain as commitments between United States and Brazil.

First, Admiral Ingram ⁷¹ announced general rollup policy of Navy and turn over of Navy equipment here to Brazil. This equipment is in process of being transferred by lend-lease, with exception, of course, of equipment which Navy is transporting to United States. This equipment has been inventoried, offered to Brazil, much of it has been accepted by Brazil, and paper work is now going forward. Arrangements should be made to complete this transaction. Equipment in fact will not be transported to United States nor will Navy personnel be maintained to guard it, so failure to make arrangements could only result in abandonment or sacrifice, or needless retention of personnel for custody. Army here states it cannot use the remaining material.

Second, bulk of Brazilian Expeditionary Force is still in Europe, and is being supplied and moved on lend-lease account. Army transport *General Meighs* arrived yesterday morning with 5,300 Brazilian troops aboard moving by lend-lease and it can hardly be assumed that last few days of her voyage were illegal. Anyhow she is here and so are the troops and there is nothing that can be done about it. But 80% of Brazilian Expeditionary Force is still in Europe and continues to need supplies and transport home and standing arrangements cannot merely be canceled without more [*sic*]. Arrangements must be made in this connection preferably by classifying operation as directly connected with war against Jap or by appropriate exception or extension to order, and Department should keep in mind extreme administrative difficulties occasioned by any change in method of handling commitment, not least of which would be diplomatic embarrassment of breaking an outstanding promise.

Third, over 100 Brazilian Expeditionary Force wounded, mainly severe amputating cases, are presently being hospitalized in United States by United States Army under lend-lease. Arrangements must be made not to throw these men on the street. Obviously this is not going to be done but basis must be worked out and stated.

⁷¹ Adm. Jonas H. Ingram, Commander of the Atlantic Fleet.

Fourth, under staff arrangements between Brazilian and United States Armies considerable number of Brazilian personnel are scheduled and en route to go to United States for training and return. Transport is arranged through lend-lease, and this transport should likewise be arranged for.

Fifth, Brazilian Navy is presently providing air sea rescue service for troop transport under Green plan,⁷² in this case Brazil providing service on reverse lend-lease. Staff arrangements call for continuance of this service. Arrangements should be made about this; possibly it might be classified as project directly connected with Jap war in view of redeployment. We are under commitment to provide continued flow of spare parts. Thus, air officers estimate failure of flow of spare parts would result in grounding Brazilian Air Force in relatively short time.

Sixth, commitments already entered into to provide material for certain Brazilian military schools where American instructors are already assigned and working, and in line with staff conversations this equipment has been urgently requested.

The foregoing is not in any respect complete list of problems presented, but designed to indicate that wholesale cut-off without reference to cases produces grave and unforeseen results.

Department [*sic*] has in mind that much of equipment though listed as lend-lease is paid for in cash by Brazil.

Much of equipment being supplied will presently be declared surplus by Army and Navy, and immediately thrown on market. If past experience is guide, prices received for it will probably be less than percentage of their value presently being paid by Brazil under lend-lease, so that on straight dollars and cents continued flow of already manufactured articles with resulting return through current payment by Brazil is likely to be most practicable method of liquidation. Possibly mere conversion of existing lend-lease arrangements into surplus disposal arrangement on same terms might solve at least part of difficulty.

It is hoped Department will promptly review entire situation with appropriate agencies making adjustments, exceptions, or arrangements to cover existing commitments. Effect of complete cut-off leaving everything in mid-air here will create extremely serious situation. Understood [*sic*] Brazilian Foreign Minister ⁷³ recently mentioned his concern about it to me. Generals Orde, Wooten, and Kroner, Colonels Blaine and Head, and Captain Cooke USN, agreed.

BERLE

⁷² The Green Project was a term applied to the operation of returning military personnel, eligible for discharge, to the United States.

⁷³ Pedro Leão Velloso.

832.24/7-1945 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, July 21, 1945—3 p. m.

1814. Ref Dept's circulars July 16, 8 and 9 a. m.⁷⁴ You will realize problem discussed in your 2275 July 19 goes beyond authority of Dept. I have taken up with Secretary Byrnes problem in other American republics arising from President's directive July 5⁷⁵ and Dept is pursuing the subject urgently with appropriate agencies here.

Your description of situation created in Brazil most helpful. Will inform you as soon as our position is clarified. At present moment problem in Brazil insofar as Navy Lend-Lease is concerned does not appear serious, although Army position presents difficulties.

GREW

800.24/8-145 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, August 1, 1945—7 p. m.

1897. Presidential Directive interpreting prior Directive of July 5, 1945 has been issued to JCS. With respect to Brazil interpretation specifically authorizes as lend-leasable the hospitalization of wounded, transport of Brazilian Expeditionary Force to Brazil, return of military personnel being trained in the US, transfers for naval and air patrols, transfers to be used directly in support of redeployment (air sea rescue, ATC installations, weather stations), transfers for equipping forces participating directly in the Pacific Theater.

GREW

832.24/8-345

The Acting Secretary of State to the Brazilian Ambassador (Martins)

WASHINGTON, August 3, 1945.

EXCELLENCY: I have the honor to refer to a letter of April 2, 1945 addressed to the Federal Reserve Bank of New York from Mr. Alberto de Castro Menezos, Vice Director of the Exchange Division, Banco do Brasil, concerning draft no. 3243 in the sum of \$35,000,000 drawn by the Brazilian Government to the credit of the Treasurer of the United

⁷⁴ Circular telegram of July 16, 8 a. m., not printed; for circular sent at 9 a. m., see p. 243.

⁷⁵ Directive to the Joint Chiefs of Staff limiting the issue of lend-lease munitions of war and military and naval equipment to that which would be used in the war against Japan. For text, see *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. 1, p. 818.

States, covering the first three installments payable under the terms of the Lend-Lease Agreement signed on March 3, 1942. This letter states that the \$35,000,000 draft contained an excess of \$1,000,000 because of a credit opened by the Export-Import Bank of Washington in 1941.

According to information which has been received from the Export-Import Bank, the Bank entered into an agreement on May 14, 1941 with Banco do Brasil whereby the Export-Import Bank agreed to establish a credit in the amount of \$12,000,000 for the purchase of defense materials in the United States.⁷⁶ This was part of an arrangement whereby the United States Government obtained the exclusive right to purchase certain strategic materials in Brazil. By the terms of the agreement the credit was to be available only until June 30, 1942.

From the foregoing it would appear that there has been some misunderstanding by your Excellency's Government concerning this credit. According to my Government's information the check issued by the Brazilian Government in payment of transfers made under the terms of the Lend-Lease Agreement was correct and no refund of \$1,000,000 mentioned in the letter of April 2, 1945 is, therefore, due. It would be appreciated if your Excellency would convey the views of this Government as set forth above to the appropriate authorities of the Brazilian Government.

Accept [etc.]

For the Acting Secretary of State:
NELSON A. ROCKEFELLER

800.24/8-845 : Telegram

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

RIO DE JANEIRO, August 8, 1945—7 p. m.

[Received 9:21 p. m.]

2485. We are much obliged for Dept.'s telegram and for presidential directive interpreting prior directive of July 5, 1945. This refers urtel 1897, August 1, and to interpretation of directive which has come in.

Interpretation of directive seems to take care of principal outstanding matters and everyone here is grateful for prompt and effective attention.

BERLE

⁷⁶ For documentation concerning this loan, see *Foreign Relations*, 1941, vol. VI, pp. 528 ff.

832.24/8-2845

The Foreign Economic Administrator (Crowley) to the Under Secretary of State (Acheson)

WASHINGTON, August 28, 1945.

DEAR MR. ACHESON: This is in reply to Mr. Grew's letter of July 7⁷⁷ in which he pointed out that it has come to the attention of the Department of State that the value of lend-lease transfers to Brazil may now exceed by more than \$40,000,000 the "ceiling" of \$200,000,000 placed on such transfers by Article II of the Brazilian Lend-Lease Agreement of March 3, 1942.

The records of this Administration, which are based on certified reports furnished by procuring agencies, show that as of May 31st transfers in the amount of \$234,836,051.17 had been made to Brazil under the lend-lease agreement with that country. Actual billings to Brazil as of May 31st total \$168,185,557.99.

This situation has been the subject of numerous conversations and meetings with representatives of the Department of State. The Department of State staff is aware, therefore, of the fact that billings furnished to FEA by the procuring agencies upon which our reports are based, are often long delayed and may be submitted long after the actual transfer date. Your staff is also aware of certain questions of valuations involved in the reporting of transfers, the resolution of which might have the effect of reducing the over-all figure to one considerably under \$200,000,000.

In the event that it is decided to include in the over-all figure for transfers certain values which are now open to question, it is possible that the "ceiling" will have been exceeded. I have not felt it necessary to bring this matter to your attention because I have been advised that the Department of State was negotiating a new agreement with Brazil which would take care of any additional transfers that might be made.

In view of these circumstances, I believe it would be most desirable for the Department to continue its conversations with the Government of the United States of Brazil, looking to the early negotiation of a supplementary agreement. In the meantime, the Department will be kept informed of any decisions by this Administration involving the subject under discussion.

Sincerely yours,

LEO T. CROWLEY

[Following the termination of hostilities with Japan, notification was sent to the Embassies of countries receiving lend-lease aid that

⁷⁷ Not printed.

lend-lease operations were ending. For text of note, see circular telegram of October 6, page 256. The note to the Brazilian Ambassador was dated September 28, 1945.]

832.24/10-2645 : Telegram

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

RIO DE JANEIRO, October 26, 1945—7 p. m.

[Received 9:36 p. m.]

3248. As this Embassy interprets present instructions, State Dept. is now responsible for liquidation of surplus supplies to be sold locally. We have, of course, no organization for that purpose nor any inventory or other list of supplies so that responsibility is virtually unlimited. We will, of course, do best we can but it should be clear that we cannot accept responsibility for unknown situation.

To cope with problem Embassy has taken following steps:

1. Primary work of isolating supplies to be sold is to remain with agencies of govt. in possession of them, appropriate Army authorities, Navy authorities, etc.

2. All steps taken with full files and memoranda are to be reported to Embassy. Mr. Brooks, Economic Counselor, is in charge and is designating one man to receive and review all papers of any kind maintaining exact file on each lot or liquidation problem as it arises. Economic Counselor will appoint review committee to examine all transactions as they are proposed with power of approval or disapproval.

3. So far as possible any transaction involving sale or disposal of property should be matter of public knowledge, either by publication of request for bids, or where properties are such that negotiation is needed, by publication or other general offer to parties who might be interested so as to obtain as many offers as possible.

4. As general principle govt. authorities, national, state, or local, who indicate interest should have priority over private interests where offers are approximately equal.

Embassy would much appreciate ideas of Dept. on this general line. For instance, we have immediately [taken?] up problem of Navy disposal of Bahia and Recife oil tanks, which have one value as going concern and another value of scrap, and which obviously are of interest only to oil companies.

BERLE

832.24/10-2045 : Telegram

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

WASHINGTON, October 26, 1945—8 p. m.

2518. For 3193, 20th.⁷⁸ You should inform the Military Attaché that Executive Order 9630, dated September 27, 1945,⁷⁹ states, that while all functions of the Army and Navy Liquidation Commissioner are transferred to the Department of State, the War Department shall "store, care for, handle, deliver, and keep the fiscal and other accounts for all property declared to be surplus in foreign areas, including property captured from the enemy, and shall also furnish such personnel, transportation and administrative services or facilities as may be required for foreign disposal. The provisions of this paragraph shall be carried out without reimbursement from the Department of State for the services rendered."

Departmental Order 1347 of October 20, 1945 ⁷⁸ provides, *inter alia*, that "local representatives are authorized to call upon the War and Navy Departments and the military commander of any Theater of Operations, command, department or base in foreign areas and the Naval Commander of any area, several areas or fleet, or the Commandant of a Naval District, in foreign areas for the assignment within his Command to the local representatives of the Commissioner, of such military and naval personnel, transportation, and administrative services, or facilities as may be required to be furnished by them pursuant to paragraphs 8 and 9 of Executive Order 9630."

BYRNES

832.24/10-1645 : Airgram

The Secretary of State to the Consul at Natal (Jakes)

WASHINGTON, November 7, 1945.

A-21. Reference your despatch no. 820 [106] of October 16, 1945,⁷⁸ concerning desire of Natal Naval Base of the Brazilian Navy to purchase surplus property now in the custody of US Army at Paranamirim Field.

Complete authority to handle disposal of US Army and Navy surpluses in the South Atlantic area rests at the present time with the ranking officer of the unit or installation concerned. This will continue to be the case until the Field Commissioner of the Office of the Foreign Liquidation Commissioner arrives in the area. With respect to any specific articles which the Natal Naval Base may wish to purchase from the US Army, these articles must first be declared sur-

⁷⁸ Not printed.⁷⁹ 10 *Federal Register* 12245.

plus by the Theater Commander. Any surplus articles not included on the Army-Navy list of critical items, which must be returned to the United States from certain areas if declared surplus in those areas, may be sold on the authority of the ranking US Army officer in the area. Accordingly it is suggested that Captain Goncalves⁸¹ be advised to approach the Commanding Officer of the US Army at Parnamirim Field in order to determine whether any of the desired items have been declared surplus in order that he may be notified when any of them are. The Department has no information as to the availability of the articles mentioned.

BYRNES

832.24/11-545 : Telegram

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

WASHINGTON, November 16, 1945.

2628. Reurtel 3348, Nov. 5.⁸² Ahlers and Kidd⁸³ are to report directly to Foreign Liquidation Commissioner in Washington using same communications facilities as Embassy in absence of War Dept. facilities. They are to look to Foreign Liquidation Commissioner in Washington for directions with respect to their function, but in all political matters will be guided by Embassy.

BYRNES

810.24/12-445 : Telegram

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

RIO DE JANEIRO, December 4, 1945—1 p. m.

[Received 2:20 p. m.]

3594. For the President, Secretary Byrnes, and Assistant Secretary Braden. Brazilian minister of Navy⁸⁴ this morning called for Commodore Dodd⁸⁵ on following matter:

Representative of British Vickers Armstrong, by name Leveson, with Baering of British Embassy, had just made offer of considerable number of all types of combatant vessels with equipment and presumably instruction and experts at prices described by Brazilian Navy Minister as substantially scrap value. Offer described as very attractive on financial side. Leveson further stated that he wished to leave this offer with Brazilian Navy as he was now leaving for Buenos

⁸¹ Capt. Jeronymo Francisco Goncalves, Director General, Natal Naval Base.

⁸² Not printed.

⁸³ J. D. Ahlers and Philip C. Kidd, officials of the Office of the Foreign Liquidation Commissioner.

⁸⁴ Adm. Jorge Dodsworth Martins.

⁸⁵ Commodore Harold Dodd of the United States Naval Mission to Brazil.

Aires, Santiago, Chile, and Lima, Peru, in which places he expected to make similar offer. He would then return to Brazil to receive answer.

Navy Minister, by name Admiral Dodsworth, is life-long protagonist of Inter-American and Brazilian-US cooperation and much concerned by this situation. He stated he foresaw beginning of armament race in Americas fostered by European munitions manufacturers with accompanying European control of resultant situation, whereas Brazilian policy was for orderly development of inter-American defense in cooperation with US on planned basis without European interference. He hoped therefore that this message would promptly be conveyed to Embassy and through Embassy to appropriate channels in US. He was particularly concerned lest Leveson be able to effect arrangement in Argentina which would force Brazilian hand.

I hope immediate consideration will be given to this situation which Dept. has foreseen at various times and which now meets us as concrete case.

In this connection I suggest Dept. may wish to consider following:

1. There is already outstanding draft of Brazil-US naval staff conversations which have not as yet been acted on or implemented. Minister specifically inquired as to present status of these documents.

2. Consideration might be given to immediate representations in London requesting that traffic in arms be not undertaken in Americas without prior consultation with US.⁸⁶

3. Under Resolutions IV and V of Mexico City Conference,⁸⁷ Americans agreed to concert on measures for hemispheric defense and form organization for that purpose and reserve control of armaments to their Govts. Consideration might be given to prompt formation of new organization.

Dept. undoubtedly will recognize that this situation is forerunner of others to come since major European article available for export is second-hand armament.

Repeated to Buenos Aires, Santiago, and Lima.

BERLE

810.24/12-1145 : Telegram

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

WASHINGTON, December 10, 1945—8 p. m.

2736. Urtel 3594 Dec 4. It was impossible for me to discuss with British Ambassador here⁸⁸ activities of representative of British

⁸⁶ See telegram 10694, December 10, 8 p. m., to London, p. 260.

⁸⁷ For texts of these Resolutions, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), pp. 36-37.

⁸⁸ Lord Halifax.

Vickers Armstrong but Assistant Secretary Braden had talk with officer of British Embassy. He expressed grave concern Department about this development on grounds of danger starting armament race and of complicating plans for inter-American defense. British Secretary of Embassy expressed sympathy with Department views and promised to communicate with London and with British Embassy Rio.

Please take up informally and along same lines with British Ambassador and report by telegram repeating to other four Missions concerned. Department has issued similar instructions in this matter to Embassies London, Rio, Buenos Aires, Santiago and Lima.

BYRNES

CONCERN OF THE UNITED STATES REGARDING THE ELIMINATION
OF AXIS INTERESTS IN BRAZIL

740.32112 RP/3-1545

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

[Extracts]

No. 473

RIO DE JANEIRO, March 15, 1945.

[Received March 29.]

SIR: I have the honor to submit herein a general review of the accomplishments of the Banco do Brasil S.A. and its Agencia Especial de Defesa Economica in the administration of the Brazilian enemy property control measures and Axis replacement program.

There is no question but that in general the Banco do Brasil has followed closely the Embassy's break-down of the Proclaimed List in selecting the firms which should be subjected to nationalization, liquidation or other action. . . . In recent months, . . . the Embassy has even intervened with Banco do Brasil in one or two instances to suggest that enforced liquidation was perhaps too drastic a measure and, if carried out, would lead to repercussions which might be harmful to the main objectives of the replacement program—the nationalization or liquidation of “spearhead” Axis concerns. Such was the case with Industria de Electro-Aços Plangg Ltda. (See Embassy despatches nos. 19018 of December 5, 1944 and 114 of February 5, 1945⁸⁹). It was, of course, stated to the Director of Exchange⁹⁰ and his associates that the final determination as to how far the replacement program should be carried is a matter for the Brazilian Government to decide, but that the Embassy desired to make its

⁸⁹ Neither printed.

⁹⁰ Presumably the Director of Exchange for the Banco do Brasil, Francisco Alves dos Santos Filho.

views on the cases in question abundantly clear so that the Bank would not place itself in the position of taking perhaps indefensible action in the belief that it was desired by the American Government or required to implement the program we had suggested.

Another difficulty encountered in the administration of the replacement program has been the character of some of the interventors—liquidators, administrators or fiscals—who have been named for enterprises brought under the program. . . .

Generally speaking, criticisms of this nature cannot be levied against the interventors nominated by the Banco do Brasil after it took over the administration of the replacement program. In one or two instances where conflicts arose between the interventor originally named by the Economic Defense Commission and those sponsored by the Banco do Brasil, the Bank has requested and obtained the replacement of the interventor first named. In the case of “Sidapar” Usina Siderurgica e Laminadora Nosso Senhora da Aparecida S.A., for example, it is doubtful that the company ever would have been nationalized if the fiscal originally named had been continued in office. However, it has been apparent that the Director of Exchange hesitated to request the replacement of these earlier appointees except as a measure of last resort, largely it is believed because such appointees had the support of the War Ministry, which has great influence with the President of the Republic,⁹¹ or were sponsored by politically prominent individuals. Since the rebuff experienced in the Bayer case, when the two liquidators designated by the Banco do Brasil were removed instead of Major França (originally appointed, it is understood, at the instance of the brother of President Vargas), the Director of Exchange obviously has no intention of recommending the replacement of interventors whose performance has been unsatisfactory. It is very unfortunate that the Director of Exchange did not find it possible to carry out the plan he once mentioned to the reporting officer, namely, that, as the replacement program progressed, the less satisfactory interventors would be replaced by those who efficiently carried out their duties in the nationalization or liquidation proceedings first completed.

Still another difficulty encountered by the Banco do Brasil has been the general lack of a strong interest on the part of Brazilian business men in acquiring the Axis enterprises offered for sale under the replacement program. It is in this connection that the loss of time represented by the period that the Economic Defense Commission was in existence has been made especially evident. It is believed that, if many of these Axis enterprises could have been offered for sale six months to a year earlier than they were, they would have found a

⁹¹ Getulio Vargas.

much readier market at higher prices. When the supply and shipping situations were at their tightest, resulting in very small entries of imported merchandise, industrial facilities of almost all kinds were very much in demand. Beginning in the latter part of 1943 and in 1944, however, both shipping and supply began to ease up and, apart from the fact that many lines of merchandise were much more freely available in Brazil (in some instances at reduced prices compared with those previously prevailing), business men began to think of the post-war period when general competition from abroad would again have to be met. Since the latter part of 1944, there was evident a definite trend toward retrenchment—a disposition to postpone new commitments.

In the case of companies manufacturing or dealing in iron and steel, it might almost be said that the bottom dropped out of the market. This is evidenced by the fact that, in the case of concerns like Stahlunion Ltda., Aços Phenix Ltda., Aços Marathon do Brasil Ltda. and Aços Roechling-Buderus do Brasil Ltda., several successive offerings of the businesses as entities were made without the receipt of acceptable bids and eventually the Banco do Brasil has had to resort to sales of the assets in piece-meal lots. From our viewpoint, as most of these enterprises were specified for liquidation, rather than for nationalization, the result is not bad, but the lack of success on these repeated offerings undoubtedly discouraged the Director of Exchange and his associates.

Part of the lack of success on some of these offerings has been attributed to the high prices placed upon various enterprises offered for sale, for which the Banco do Brasil has been subjected to considerable criticism. It is possible that the Bank, and its representatives in the enterprises scheduled for nationalization or liquidation, have erred in this respect. However, it was not unnatural that the Bank should wish to realize the highest possible prices, both in order to increase the size of the Indemnization Fund and to avoid possible claims after the war that the enterprises had been sold for less than true values. Undoubtedly the fact that the interventors in these enterprises were made civilly and criminally liable for any misfeasance led them to overvalue, rather than undervalue, in their recommendations, the assets of the businesses in their charge and, not unnaturally, the Bank would hesitate to reduce the valuation fixed by its own representatives charged with the primary responsibility. It is true that, at a rather early stage in the offerings of these Axis properties, the Bank abandoned the practice of specifying in the notices of sale a minimum price below which offers would not be accepted. Nevertheless, it did continue to include in the *editais* a statement of the estimated value of the properties offered for sale, and this, as a practical matter, had very much the same psychological effect as specifying an upset price.

Interest in the purchase of these Axis enterprises was also chilled by the fact that, about the time that the Banco do Brasil took over the administration of the replacement program, the tax *fiscais* in the Ministry of Finance began levying very high fines against these enterprises for alleged tax infractions. Unfortunately, there obtained, and in general still obtains, in Brazil a system whereby the Treasury *fiscais* receive one-half of all fines which they levy and collect. It seems also that, prior to the war, many foreign exchange transactions which were literally outside the law were looked upon with complaisance by the exchange authorities, to such an extent that they were practically considered legitimate. The Treasury *fiscais* began a strong campaign on these old "black market transactions", and evidently felt that Axis-owned enterprises furnished a promising field for the assessment of substantial penalties, since no one, presumably, would be interested in defending the interests of the enemy owners. At any rate, very heavy fines, in some cases exceeding the estimated net worth, were levied against enterprises scheduled for nationalization or liquidation.

Much of the attraction of this little game for the *fiscais* was removed by the enactment of Decree-Law no. 6681 of July 13, 1944 (see Embassy despatch no. 16958 of July 18, 1944 ⁹²) which provided that the entire amount of tax fines and penalties levied against concerns subject to the replacement program should be paid to the Federal Union, and transferred to the Ministry of Finance jurisdiction over fiscal actions initiated against such concerns. However, this did not completely nullify the harm that had been done, as the impression had become quite definitely fixed in the minds of business men and potential purchasers of these Axis enterprises that, in buying such properties, they might be taking on a tangle of undisclosed tax claims or claims for alleged breaches of other laws and regulations.

A similar consideration mentioned by some is the possibility that, due perhaps to manipulations of the records by the former Axis owners, purchasers of these enterprises might be faced at some future date with undisclosed liabilities not reflected in the books and not discovered or revealed by the government interventors.

Neither the tax claims nor possible undisclosed liabilities of other types would have had such an adverse influence if the Banco do Brasil had offered for sale only the assets of these enemy enterprises, retaining in its own charge the responsibility for the satisfaction of their debts and liabilities. The Embassy repeatedly urged that this procedure be adopted, pointing out that the Banco do Brasil, as agent of the Federal Government, was in a much better position than any private individual to argue about matters such as the validity of tax

⁹² Not printed.

claims, advanced by another agency of the Government, or other claims. Nevertheless, the Director of Exchange persisted as a rule in the practice of offering the quotas or shares of the enterprises scheduled for sale, usually with a clause making it clear that the purchaser would assume full responsibility for all liabilities of the enterprise being sold. In so doing, he was undoubtedly influenced by the consideration that sales of this character would be the most expeditious means of completing the replacement program and bringing his own duties and responsibilities to an end.

Another factor which probably chilled the interest of potential bidders for these Axis enterprises was that many of them had a large number of enemy nationals and other suspect individuals among their personnel. It has become a matter of fairly common knowledge that the American authorities are not inclined to look with favor upon the retention of Axis citizens in nationalized concerns, particularly if such persons are known to have been active adherents of the Axis cause or are subject to material doubt on that score. On the other hand, as has frequently been reported, employees of industrial and commercial enterprises in Brazil cannot normally be discharged except upon the payment of indemnities measured by the length of service and the amount of compensation received over a period prior to the time of dismissal, and, in the case of employees having ten years service or more, dismissal is impossible unless very good cause can be shown. Under Decree-Law no. 4638 of August 31, 1942, provision was made that employees of Axis nationality could be released even though they had more than ten years service, but only if they were shown—in practice, by police certificates or other specific documentary evidence—to be dangerous to the national security or to the proper functioning of the enterprise with which they were employed. Each case had to be specifically passed upon by the Minister of Labor, and the legislation by its terms applied only to persons of Axis nationality and not to naturalized Brazilians. In some instances, this decree-law has even been held not applicable to Axis nationals who have been in Brazil for many years, own property here and have Brazilian wives or Brazilian children. Generally speaking, the decisions of the Ministry of Labor have leaned against authorizing dismissals, especially in enterprises which do not have a public utility aspect or a fairly direct relationship to the war effort, and, even where dismissals are authorized, indemnizations at a reduced rate must be paid.

The result of the foregoing has been that not infrequently, in the case of an enterprise having a number of Axis employees, prospective purchasers have felt it necessary to make provision, in submitting their bids, for the payment of substantial indemnities to employees, which

usually are not included among the liabilities mentioned in the notices of sale. In some cases, bidders seem to have proceeded on the assumption that the Ministry of Labor would not authorize the discharge of possibly suspect Axis employees, and hence have made allowance for maximum indemnities—if they decided to bid at all. Here again, much of the resistance of prospective bidders could have been obviated if the Banco do Brasil had sold merely the assets of an enterprise scheduled for nationalization, undertaking responsibility for satisfying the claims of employees for accrued indemnizations up to the date of sale, along with other liabilities. Such an arrangement was adopted, for example, in the case of Schering Productos Químicos e Farmaceuticos S.A., but only on the second offering and then as the result of representations by the Embassy and some of the prospective bidders. In such a case, the Bank, in its capacity as special agent for the Federal Government, could have gone to the Ministry of Labor with a strong practical basis for urging the reduction of indemnities to a reasonable minimum, in the interests of the Indemnization Fund and hence of the Brazilian Government and people. This the Bank seemingly was unwilling to do—perhaps in part because it functions under the supervision of the Ministry of Finance and there has been apparent a certain constraint or hostility on various points between the Ministry of Finance and the Ministry of Labor.

In general, it must be said that the Embassy has received very little support from the Banco do Brasil in the effort to bring about the elimination of suspect personnel from enterprises scheduled for nationalization (as distinguished from liquidation, where the enterprise ceases to exist). The Bank has not explicitly opposed any demands of this character made by the Embassy as a condition to the removal of the nationalized enterprises from the Proclaimed List, but neither has it affirmatively lent any assistance. Generally speaking, the Bank did not give instructions to its representatives in the intervened enterprises to eliminate politically doubtful personnel (in many instances the old management was retained, although ostensibly shorn of their administrative powers). The interventors as a rule seemed to have interpreted the instructions given them “to maintain the prosperity of the enterprise in their charge” to mean that no personnel should be dismissed, and in fact the instructions of the Economic Defense Commission did not permit changes of personnel, agents or representatives without specific prior authorization by the Commission.

Some few interventors, notably in the cases of Schering Productos Químicos e Farmaceuticos S.A. and Cia. Química “Merck” Brasil S.A., did take the initiative to obtain authority to dismiss suspect administrators and employees, so that most of the undesirables were eliminated. Other interventors have complained that repeated requests by them for authority of this character were ignored.

It is unquestionably true that there are several different ways of looking at this matter of requiring the elimination of suspect personnel in enterprises which are transferred to satisfactory ownership, and there is much to be said for the view that it is preferable to keep such individuals under supervision which is believed to be satisfactory, rather than to force them out to seek employment elsewhere, particularly when the odds are that under the circumstances other employment can be obtained only with less reputable concerns. In any case, the Embassy has been left to a large extent to hoe a lone row on this matter of the elimination of personnel believed to be undesirable. Several months ago an approach was made directly to the juridical assistant handling labor matters in the Ministry of Labor, Industry and Commerce to see if it might be possible to bring about, in the case of enterprises scheduled for nationalization, some relaxation of the standards established for authorizing dismissals of suspect personnel, but the result was in effect a courteous but firm refusal to consider any change.

It may be remarked that the Embassy's task in bringing about the elimination of undesirable personnel in these enemy enterprises has not been made any easier by the fact that it has not been possible to implement the earlier representations made on the subject of our assisting in furnishing technical assistance to replace individuals who might be eliminated from Axis businesses nationalized in Brazil. Not infrequently, when question has been raised about the continuance of suspect individuals in a nationalized concern, the claim is made that they are technicians whose retention is essential to the proper functioning of the enterprise unless suitable replacements can be found—not at some indefinite time in the future, but forthwith. At the present time in Brazil, the shortage of skilled technicians in many lines is notorious. At times, when questions of this nature are raised, the purchasers profess to be quite willing to dismiss the suspect technicians if we will furnish replacements from the United States, even though such a change would represent a financial sacrifice, represented by the indemnities that would have to be paid to the discharged technicians and the higher compensation that would undoubtedly be required for a replacement from the United States. It may be that offers of this kind have not been sincere in all cases, but the Embassy has not felt that it was in a position to call the bluff, if one existed, after the unsatisfactory experience in endeavoring to obtain American technicians in the Casa Lohner case and particularly in view of the increased manpower shortage in the United States since that time.

At one time during the latter part of 1944 when a number of offerings of Axis enterprises had been made by the Banco do Brasil without

the receipt of any acceptable bids (in some cases, without any bids at all), the Embassy endeavored to ascertain the reasons for this lack of interest and particularly studied the possibility that there might be concerted refusal to submit bids for these properties, based on political opposition to the present government or other similar reasons. One instance was found where a Brazilian had refused to participate in a group proposing to bid for one of these Axis enterprises because he was not in sympathy with the basic idea of the nationalization program—the expropriation of private property as an instrument of economic warfare or to satisfy claims for losses suffered through acts of enemy governments. It is probable also that this individual's position was influenced by his political opposition to the present government, although there can be no question of his pro-Ally sympathies. An inquiry on this subject was addressed to the Consulate General in São Paulo, as the lack of interest was particularly noticeable in respect of offerings of Axis properties located in that area, but the Consulate General also reported that it could find no evidence of a concerted "buyers' strike" based on ulterior motives. As a matter of possible interest, a copy of the Consulate General letter, dated October 28, 1944, prepared by Mr. George T. Colman, Economic Analyst (together with copies of the attachments to such letter), is submitted herewith as an enclosure.⁹³

The Embassy did find in certain cases evidence that potential purchasers of Axis enterprises decided not to submit bids or were hesitant about so doing because of doubts on their part that the Government of Brazil—or, more broadly, the governments of the United Nations—would lend energetic support after the war to the purchasers of these enterprises against claims which might be advanced by the former enemy owners or their governments. In some cases this fear was placed on the basis that, if a change of administration should occur in Brazil, the successor government might not be inclined to sustain the validity of action taken under the present regime. It was largely because of the expression of doubts of this nature that the Embassy suggested, in its despatches nos. 15226 of April 4, 1944 and 19207 of December 18, 1944,⁹⁴ that it might be very helpful if arrangements were made to include in the future peace treaties or armistice agreements with the Axis powers provisions requiring the governments of the enemy countries and their nationals expressly and categorically to renounce any and all claims against the validity of action taken by the United Nations to nationalize or liquidate enemy property interests in their respective jurisdictions and in accordance with their respective laws. Of course, such an arrangement would have been of practical

⁹³ None printed.

⁹⁴ Neither printed.

utility for present purposes only if public announcement had been made of the intention of the United Nations, or leading elements thereof, to require the acceptance of such a clause by the Axis powers.

It may be an unpalatable fact, but there is little doubt but that the Director of Exchange feels that he has been "let down" by the Embassy and the American Government in his administration of the replacement program. He has never said anything to indicate, even by implication, that he was disappointed over our inability to make good on our representations on the subject of providing replacements for politically undesirable technicians in enterprises scheduled for nationalization. For one thing, it had become apparent, even before the Economic Defense Commission was dissolved, that we would be able to do very little along that line, with the result that no representations in that respect were made directly to the Director of Exchange or others in the *Agencia Especial*. Also, as has been indicated above, the Director does not seem to be convinced of the necessity for or desirability of widespread changes of personnel in these concerns being nationalized, except perhaps in the case of the chief administrative figures.

The situation is, however, quite different in two other fields. The Director of Exchange was well aware of the representations made to the Economic Defense Commission, and later to him, that General Aniline & Film Corporation and/or General Dyestuff Corporation were prepared to take a prominent part in assisting in the nationalization of *Alliança Comercial de Anilinas Ltda.*, the former I.G. Farben dyestuff subsidiary in Brazil, at least to the extent of granting the Brazilian representation for General Aniline products to *Alliança* upon its acquisition by a satisfactory Brazilian group. There is no need to review here the outcome of the negotiations initiated along those lines when *Alliança* was offered for sale. The Director of Exchange has never forgotten the matter and, coming as it did at the very beginning of the implementation of the nationalization program in Brazil, the incident had a very unfortunate effect not only upon our relationships with the Brazilian authorities, but upon the nationalization program as a whole, for the details of the *Alliança* case became quite well known in business circles and no doubt were used to advantage by the real Fifth Column in this country.

On top of this, there is the fact that, so far as the Embassy knows, arrangements have not yet been consummated for the acceptance by the Export-Import Bank of Washington of a financial participation in a single loan transaction proposed by the *Banco do Brasil* in furtherance of the nationalization of Axis enterprises in this country. The Director of Exchange participated personally in negotiating the basic

agreement of February 3, 1944 providing for joint financing by the Banco do Brasil and the Export-Import Bank, and naturally feels a certain responsibility for its success or failure. It is true that the Embassy suggested withholding advice of the Export-Import Bank's acceptance of a participation in the proposed loan operation on the purchase of J.D. Riedel-E. de Haen e Cia. Ltda. (because the principal trademarks appurtenant to the business had not been expropriated and transferred to the purchaser of the firm) and, in the Schering case, acceptance of a participation by Export-Import Bank has been held up until the new owners of the Schering business in Brazil should make a satisfactory supply contract with Schering Corporation of Bloomfield or some other qualified supplier. Although the reasons for non-participation in these two cases—and in several others which were never formally submitted to Export-Import Bank—have been explained to the Director of Exchange, he has been inclined to couple the break-down of the Export-Import Bank financing arrangements with the occurrences in the Aliança case and to characterize both in a not particularly favorable light. The situation is not eased by the fact that the Banco do Brasil, having made commitments to the purchasers of enterprises sold under the nationalization program, has considered itself honor-bound in several cases to provide the full amount of the financing for its own account.

CONCLUSION

It may be seen from the foregoing that the replacement program has not had entirely smooth sailing in Brazil, and that the Banco do Brasil and its Director of Exchange have had their own difficulties and problems in administering and carrying through the program. Therefore, although it may seem that progress has been discouragingly slow, it is perhaps a wonder that as much has been done and is fairly definitely in prospect as is reflected in the earlier pages of this despatch. With the current political unsettlement and the reluctance which will doubtless be increasingly apparent on the part of the Government to take any action which tends to antagonize any sector of the electorate, it seems an open question whether much more can be expected in the near future other than the completion of those liquidations (as distinguished from prospective nationalizations) which are already in progress and well under way. Apprehensions on this score would be all the more justified if the Director of Exchange of the Banco do Brasil should insist upon the acceptance of his resignation, as has been frequently rumored.

Respectfully yours,

For the Chargé d'Affaires ad interim:

HAROLD S. TEWELL

First Secretary of Embassy

740.32112A/3-145 : Airgram

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

WASHINGTON, March 15, 1945.

A-287. Reference your airgram A-318 of March 1, 1945,⁹⁵ presenting certain objections to the reduction of the Confidential List⁹⁶ for Brazil.

In connection with the proposed reduction of the Confidential List, the following points should be considered:

1. Your despatch no. 196 of February 12, 1945,⁹⁵ indicates that the cloaking problem in Brazil is not believed to be one of major proportions, now that the spearhead enemy concerns have been or are in the process of being nationalized or liquidated.

2. Brazil has demonstrated by its effective local controls program that it is alert in economic warfare matters, thereby rendering unnecessary the continued inclusion of many names now on the Confidential List.

3. The Department believes that it is important to coordinate the Confidential List and the British Black List as far as possible in order that American exporters shall not be unnecessarily placed at a disadvantage in respect to United Kingdom exporters. The coordination of the Confidential List and the British Black List will be difficult even with a reduced list, but it would be virtually impossible if the list is not reduced.

4. The Confidential List is a list designed to prevent American goods from reaching the hands of Proclaimed List concerns and the Department does not perceive how reduction of the Confidential List for Brazil runs counter to the SAFEHAVEN project.⁹⁷

5. The Embassy believes the list in its present form is a valuable instrumentality for the identification of undesirable representatives of American business. If a firm is sufficiently undesirable to warrant inclusion in the Proclaimed List, the Embassy should not hesitate to recommend such action. Any actual cloaks for Proclaimed List firms should be recommended for inclusion in the Confidential List. However, at this stage of the war and in view of Brazil's cooperation, the Department believes that classification of Brazilian firms in twilight zones of undesirability should be avoided. While the Department has no intention or desire to relax its vigilance with respect to economic warfare, it considers desirable the revision or elimination of any procedure which tends to place unnecessary obstacles in the way of normal commercial transactions.

6. The Department has received replies from the Missions in most of the other American Republics and they uniformly agree to the proposed reduction of the list.

⁹⁵ Not printed.

⁹⁶ The Confidential List included persons and firms acting as cloaks for persons or firms on the Proclaimed List, or recommended for listing but not included on the Proclaimed List for various reasons.

⁹⁷ The SAFEHAVEN program was a combined effort of the Departments of State and Treasury and the Foreign Economic Administration to forestall German attempts to hide assets outside of Germany thereby laying economic bases for future aggression. For documentation on this program, see vol. II, pp. 852 ff.

7. Administrative difficulties would arise if the Confidential List for all of the other American Republics were reduced but no reduction were made in the list for Brazil.

In view of the foregoing, the Department does not feel justified in making an exception in the case of Brazil. The Department has commenced the preparation of the revised Confidential List for the Western Hemisphere and you are urgently requested to report immediately whether on the basis of the revised criteria for inclusion in the Confidential List set forth in instruction no. 6827 of February 6, 1945,⁹⁸ any names should be added to or deleted from the list of names enclosed with that instruction.

STETTINIUS

862.20210/4-1445 : Telegram

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

RIO DE JANEIRO, April 14, 1945—3 p. m.

[Received 5 : 36 p. m.]

1168. German saboteurs Blass⁹⁹ (alias Braun) and Gohl¹ in São Paulo have implicated Hans Otto Meier, Albert Thiele and Walter Gustav Ludwig Augustin, all of Rio. Legal Attaché reports Augustin and Thiele arrested in Rio, have admitted that they belong to the sabotage organization. Meier is already in jail for espionage in connection with CEL radio ring. He has confessed that he was trustee for the fund.

Further investigation is continuing as to concrete acts of sabotage.

BERLE

740.00112A EW/4-2845 : Circular airgram

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

WASHINGTON, April 28, 1945—9 a. m.

In discussions held in Washington between British and the Department, tentative agreement has been reached on a program for eventual elimination of Proclaimed and Statutory Lists approximately one year after V-E Day. This program is presently being considered by Proclaimed and Black List Committees. In view of the circular which MEW² has circulated to British missions in the other American Re-

⁹⁸ Not printed.

⁹⁹ George Konrad Friedrich Blas.

¹ Karl Gohl.

² Ministry of Economic Warfare.

publics, the following information, prior to full instructions now being prepared, is being sent :

(1) The program contemplates elimination of minor offenders from lists immediately after V-E Day, elimination of intermediate class about 4 months thereafter, and final elimination of "hard core" offenders approximately one year after V-E Day. It is recognized that in some respects this program is more suited to conditions in the European area than in this hemisphere, and it is intended that the Latin American program especially with respect to mass deletions where local controls are satisfactory will continue. Recognizing that substantial lists cannot be maintained in American Republics after substantial withdrawal in European neutrals, it is planned to use time remaining to make as emphatic as possible distinction between cooperating and non-cooperating countries, in line with statement of September 1944.³

(2) In order for this last objective to be fully carried out, it will probably be desirable to withdraw or substantially reduce the list in some of the other American Republics shortly after V-E Day. Whether a "hard core" would be carried in such countries remains a question. Tentatively, countries which would be candidates for such elimination would be Mexico and the Central American and Caribbean Republics, Ecuador, probably Brazil and Chile, and possibly Peru and Venezuela. It is recognized that special circumstances exist in each one of the other American Republics, and special instructions will be forthcoming on individual problems of these countries.

(3) The Department, in formulating the special instructions mentioned above, is taking carefully into consideration such factors as need for cooperation and consultation with local governments where local controls are integrated with United States controls, desirability of pushing the replacement program to a successful completion in a relatively brief period of time, and so forth. You may expect instructions with respect to these problems shortly. In the interim your comments would be welcome.

(4) The standards by which the list of minor offenders (called Class A in the tentative memorandum) is to be compiled are being sent in following telegram. You are instructed to discuss this matter with your British colleague and to go over these standards. It will be noted that in some of the other American Republics most of the minor offenders have already been eliminated from the list, so that it will not be necessary to compile a list based upon these standards. In any case, you should, after consultation with your British colleague, comment upon the classification of persons for

³ See circular telegram dated September 20, 1944, *Foreign Relations*, 1944, vol. VII, p. 530.

deletion which you have already forwarded to the Department, in the light of the above.

(5) In view of the need for a very high degree of security with respect to this matter, you are authorized to discuss this matter only with your British colleague.

(6) Above message should be understood not to affect list as it involves war in Pacific.

GREW

740.00112A EW/4-2845 : Circular airgram

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

WASHINGTON, April 28, 1945—4: 15 p. m.

The following categories of names will be included in Class A.⁴ In all cases regard will be had for the prestige of the lists and for our past public declarations, and for the advice of the missions.

(1) Persons whose objectionable operations have been few and unimportant.

(2) Persons whose offences have consisted in dealings with others on the lists unless (1) such dealings which resulted in listing were carried on after warnings from the missions or (2) were on such a scale as to impair appreciably the effects of listing on the listed firms in question.

(3) Persons whose enemy nationality was the principal factor in their listing, except that the possibility that the persons may be subject to repatriation should be taken into account in considering such cases for deletion.

(4) Persons listed solely or primarily because of their identification with a listed firm should be deleted when the firm is deleted.

GREW

740.32112A/5-1545

The Acting Secretary of State to the Ambassador in Brazil (Berle)

[Extract]

No. 7152

WASHINGTON, May 15, 1945.

The Acting Secretary of State refers to the Department's circular airgram of April 28, 1945 concerning the considerations which will govern the maintenance of the Proclaimed List following the cessation of hostilities in Europe. This circular airgram stated that in-

⁴ This class included names that were to be removed from the Proclaimed List for Brazil in the first mass deletions after V-E Day. Names in classes B, C, and D were to be removed in successive mass deletions after A, leaving only the "hard core" group, which was to be retained as long as the Proclaimed List was maintained.

structions would be forthcoming on the individual problems of each of the other American Republics.

There is enclosed a memorandum dated April 27, 1945,⁵ entitled "Policy with Respect to Proclaimed and Confidential List in Post-Hostilities Period: Western Hemisphere."⁶ This memorandum together with its enclosures sets forth the future listing policy for the Western Hemisphere in greater detail than was possible in the circular airgram.

There is also enclosed a memorandum entitled "Country Memorandum for Brazil"⁷ which has been approved by the Interdepartmental Proclaimed List Committee. This country memorandum outlines the progress that has been made, analyzes the present Proclaimed List and replacement situation, and contains recommendations approved by the Committee concerning the withdrawal of the Proclaimed List for Brazil.

Unless the Officer in Charge perceives objections, he is requested to consult with his British colleague, who will receive similar instructions, and to approach the Brazilian Government in accordance with the recommendations contained in the enclosed country memorandum. Any objections to or comments concerning these recommendations or the memorandum of April 27 should be cabled immediately.

It is important, of course, that advance notice of the plan for the early reduction or withdrawal of the Proclaimed List in cooperative countries not be given any wider circulation than is absolutely necessary. If practicable, your discussion with the Brazilian Government should be limited to the plans for the reduction of the Proclaimed List for Brazil. It may, however, be desirable to indicate that this Government is considering the complete or virtual withdrawal of the Proclaimed List in certain of the other American Republics, in order to explain why this Government feels that the Proclaimed List for Brazil should be virtually withdrawn. In no event should the plans to eliminate intermediate offenders from the Proclaimed List approximately four months after V-E Day and to withdraw the Proclaimed List completely approximately one year after V-E Day, be divulged.

The Embassy in its discussions with the Brazilian authorities should stress the importance of eliminating remaining Spearheads and the fact that the Spearheads remaining on the list will be considered *ad hoc* for deletion when they are effectively eliminated.

As indicated in paragraph III-f of the enclosed memorandum of April 27, 1945, appropriate publicity will be given to the reduction of

⁵ Sent, *mutatis mutandis*, to diplomatic representatives in the other American Republics.

⁶ For text, see p. 311.

⁷ Not attached to file copy of instruction.

the Proclaimed List to a hard-core. This publicity will probably take the form of a press release and appropriate foot-notes in the supplement in which the reduction occurs.⁸

It is contemplated that the forthcoming supplement, which under the normal schedule would appear on June 1, will be postponed until June 8, and that the British Statutory List supplement, which would ordinarily appear approximately June 15, will also appear on June 8 so that the reductions can be made simultaneously in both the Proclaimed and Statutory Lists.

The circular telegram of September 20, 1944⁹ stated that the Proclaimed List would not be withdrawn with respect to any country which had instituted local lists or other controls based on the Proclaimed List without full prior consultation in order that the time and manner of the withdrawal of the Proclaimed List for such a country might be fully integrated with the requirements of the local controls. If any of the local controls for the Brazilian Government are based on the Proclaimed List, the Officer in Charge should consult with the Brazilian authorities so that the requirements of local controls may receive full consideration.

With respect to the British post-hostilities list which is to be incorporated into the "hard-core" list which shall be retained until the complete withdrawal of the Proclaimed List for Brazil (enclosure no. 2, paragraph V-2), the Embassy is requested to consult with the British Embassy concerning any names which the Embassy believes should be removed from or included in the British post-hostilities list. . . .

In view of the urgency of this matter, the Officer in Charge is requested to report by telegram what action has been taken and the results thereof, including the names which should comprise the "hard-core" list. The latter should, as far as possible, be done by reference to a categorization of the list already in the Department in order to restrict to a minimum the cabling of names.

740.32112 RP/5-2545 : Telegram

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

RIO DE JANEIRO, May 25, 1945—7 p. m.

[Received 10:15 p. m.]

1651. Believe immediate drastic reduction Proclaimed List as proposed your 7152, May 15, would seriously prejudice possibility suc-

⁸ See Department of State *Bulletin*, June 24, 1945, p. 1167.

⁹ *Foreign Relations*, 1944, vol. VII, p. 530.

cessful conclusion remaining replacement program in Brazil. Relaxation war-time controls here is now in full tide, and our eliminating vast majority names remaining on Proclaimed List would be taken by Brazilians as lack of real interest our part in replacement program, despite any statements to contrary, and would also render exceedingly difficult elimination undesirable personnel and other corrective measures in any spearhead firms thereafter nationalized. Notwithstanding Brazil's past record as cooperating country, would consider it doubtful, in view virtual stalemate replacement program in recent months and present relaxation of controls, that reliance could be placed upon any assurances of Brazilian authorities as to completion nationalization program. Unless interested agencies Washington are prepared to proceed with program your 7152 with full realization foregoing considerations, feel it preferable tactically to defer reduction to hard core in order to retain leverage on situation and fortify representatives for completion of program, and that only deletions recommended in my 1280, May 9, and A-704, May 12¹⁰ should appear in June 8 supplement. British concur (see their 64 to MEW, repeated to Washington as 152).

Still believe desirable Wagner¹¹ proceed Washington immediately to discuss fully existing situation in Brazil and possible alternative courses of procedure. If deletion program proposed your 7152 carried out, consultation after June 8 would seem of very little value.

BERLE

740.32112 RP/5-2545 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, May 26, 1945—6 p. m.

1339. Agreement with Brit enclosed in our 7152, May 15 contemplates reduction to hard core in all countries in about 4 months, including Europe. Reduction of Brazilian list to hard core would have to be made then at very latest.

Within scope of this agreement it will be possible to delay reduction to hard core in Brazil for approximately 4 months which will place Brazil in same category as Argentina. It will also be possible to reduce to hard core in Brazil some time between June supplement and expiration 4 months period. Not more than two reductions can be taken to reach hard core however.

Failure reduce to a hard core in Brazil in June supplement would raise question whether Brazilian FonOff will resent preferred treatment given other Republics, particularly since Dept proposes to issue

¹⁰ Neither printed.

¹¹ Frederick T. Wagner, Special Assistant at the Embassy in Brazil.

public statement that List is being reduced in cooperative countries which have instituted adequate controls and eliminated spearheads. It is possible but not yet certain that reductions to hard core will be made in Chile and Mexico forthcoming supplement. Please report whether discussions with FonOff referred to in 7152 have taken place.

Names to be deleted must be approved in Washington and forwarded to London not later than June 2 even if next supplement appears on 16th instead of 8th of June as is now being contemplated.

Dept appreciates importance of considerations mentioned in your 1651, May 25, but was unable to obtain agreement extending life of List beyond that described in agreement with Brit. The Rio, Washington and Mexican Resolutions¹² concerning replacement are still operative and Brazilians could be informed that reduction is made in accordance with policy announced in Sep 1944 and does not imply a lack of interest in nationalization program. Furthermore, a substantial list of hard core offenders will remain for all countries.

Separate telegram will go forward Mon concerning consultation with Wagner.¹³

GREW

740.32112A/5-3145

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

[Extracts]

No. 1533

RIO DE JANEIRO, May 31, 1945.

[Received June 8.]

SIR: Referring to the recent communications exchanged with the Department on the subject of the handling and timing of the contemplated withdrawal of the Proclaimed List of Certain Blocked Nationals for Brazil, and particularly to the Department's instruction no. 7152 of May 15, 1945 and the Department's telegrams nos. 1339 and 1348 of May 26 and May 28, 1945, respectively,¹⁴ I have the honor to transmit herewith a tabulation showing the names which, in the Embassy's opinion, after lengthy consultations with representatives of the

¹² For text of conclusions of the Rio de Janeiro Conference, see "Final Act of the Third Meeting of Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro, January 15-28, 1942," printed in Department of State *Bulletin*, February 7, 1942, pp. 118-140; for text of Washington Resolutions, see Pan American Union, Congress and Conference Series No. 39: *Final Act of the Inter-American Conference on Systems of Economic and Financial Control*, Washington, D.C., June 30-July 10, 1942 (Washington, 1942), pp. 7-158; for text of Mexico City Resolutions, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace*, Mexico City, February-March, 1945 (Washington, 1945), pp. 35-108.

¹³ Telegram 1352, May 28, 8 p. m., not printed.

¹⁴ Telegram 1348 not printed.

British Embassy in this city, should constitute the "hard core" to which it is contemplated the Brazilian section of the Proclaimed List will be reduced prior to its ultimate complete withdrawal in this country.

The Embassy is in some doubt as to the proper interpretation of the expression, "notorious individuals who are internationally regarded as Axis collaborators", as a standard for selecting names for inclusion in the hard core. Strictly speaking, it may be questioned that there is any listed individual in Brazil, other than Jan Bata, who would qualify under this heading. On the other hand, it is this Embassy's feeling, which the British representative here shares, that there are many other listed persons in Brazil who have been, and probably still are, more dangerous and objectionable than Jan Bata—at any rate persons who would be more readily accepted as enemies by public opinion in Brazil. Such are the Stoltzes (including Hans Ulrich Stoltz, recently released from police custody and recently recommended for inclusion in the Proclaimed List, to join his father and brother), the Uebeles and other individuals who were formerly the leading figures in Axis spearhead firms or in the German business community in Brazil. From the terms of instruction no. 7152, it would appear that it is not the intention to retain in the hard core persons who were prominently connected with enemy spearhead concerns which have been nationalized or liquidated or which are under the control of representatives of the Brazilian Government preliminary to nationalization or liquidation. In the Embassy's opinion, on the contrary, it is precisely these individuals who should most properly be kept on the Proclaimed List to the bitter end, in the interest of assuring so long as possible their separation from the enterprises with which they were previously associated or of insisting upon their elimination from enterprises which are yet to be nationalized. It has already been pointed out (see particularly pages 46 to 48 of Embassy despatch no. 473 of March 15, 1945¹⁵) that the Brazilian authorities have been of virtually no assistance in bringing about the removal of politically undesirable elements from firms in process of nationalization, and one principal reason for the Embassy's concern over the withdrawal of the Proclaimed List is that its elimination will probably remove the last remaining effective bar, in a number of instances, to the resumption of relations between these undesirable individuals and the enterprises from which they have been or may be eliminated under pressure. At best, the removal of such persons from the Proclaimed List may well result in their entering some other enterprise in more or less direct competition with the former affiliation, whose prosperity it is now in our interest to endeavor to encourage.

¹⁵ *Ante*, p. 653, 4th paragraph, to p. 656, 3d paragraph.

. . . The proposals and recommendations of instruction no. 7152 have also been discussed with the Acting Minister of Foreign Affairs,¹⁶ with whom I left a copy of the list delivered to the Minister of Finance. The Acting Minister stated that he was entirely in accord with the desirability of proceeding immediately to complete the nationalization or liquidation of enterprises controlled by enemy interests abroad, but observed that jurisdiction over that program is vested in the Ministry of Finance. The Director of Exchange of the Banco do Brasil has, of course, been fully advised on the matter, within the limits stated in the Department's instruction, but again has emphasized that his hands are tied in the absence of cooperative support and authorization from above.

It is probable that some general assurances will be received from the Brazilian authorities with respect to their intention of proceeding with the implementation of at least part of the remaining replacement program. Unless these assurances are much more definite and explicit than is now considered likely, it will be, in the Embassy's opinion, a matter of considerable doubt just how much further progress may be expected on the replacement program in Brazil. Probably most of the liquidations (as distinguished from pending nationalization proceedings) now in active progress will be completed; perhaps also a few more of the enemy-owned enterprises heretofore included in Categories I-1 and I-2 of the Embassy's breakdowns of the Brazilian Section of the Proclaimed List will be nationalized through their transfers to Brazilian groups.

Under these circumstances, it is felt that when the time comes for the reduction of the Proclaimed List for Mexico to the hard core, it must then be decided by the Department and other interested agencies in Washington whether the progress made in the replacement program in Brazil and Brazil's record otherwise as a cooperating country in the economic warfare field, coupled with whatever assurances may have been received from the Brazilian authorities, compare so favorably with the action taken and expected to be taken by Mexico and other cooperating nations that it would be unjust or unwise to stigmatize Brazil by postponing a comparable reduction in this country. This Embassy has practically no information as to the status of the replacement programs in other American Republics, and therefore finds it impossible to make such a comparison. The position recently taken by the Embassy in opposing an immediate drastic reduction in Brazil was based upon the belief that the present withdrawal or severe contraction of the List in this country would seriously impair the possibility of the successful completion of the unfinished portion of the replacement program in this country. On the basis of past

¹⁶ Pedro Leão Velloso.

performance and present prevalent feeling in Brazil that "the war is over", it would seem unwise to entertain too sanguine hopes that the lapse of two, three or four additional months would completely change the picture. Nevertheless, it is recognized that a severe pruning of the List must be made in the American Republics in the relatively near future, in view of the schedule of withdrawal agreed upon with the British Government, and that purely local considerations must yield to the requirements of over-all policy and the principle of like treatment for countries similarly situated. It will be understood, of course, that the Embassy has no desire to place Brazil in a less favorable light than other countries which have given perhaps less effective cooperation.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

740.32112A/8-745 : Telegram

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

RIO DE JANEIRO, August 7, 1945—noon.

[Received 4 p. m.]

2465. Urtel 1920, August 4.¹⁷ It is not politically necessary to reduce Brazilian List to hard core in August, though, of course, it might be appropriate recognition that Brazil has probably done more to implement Proclaimed List than most other countries. But delay in reducing List is plainly and of record attributable to fact that Brazilian authorities have not yet made up their own mind on subject and they know this. Accordingly, there is no objection to leaving Brazilian reduction until September List. However, believe if August supplement is to come out, in any event Brazilian firms already nationalized or liquidated should be deleted in that supplement since they present no question whatever.

BERLE

462.00R/9-2745 : Telegram

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

RIO DE JANEIRO, September 27, 1945—3 p. m.

[Received 9:54 p. m.]

2983. In conversation with Velloso last night question of Brazilian share of German reparations came up.¹⁸ Text of Braz. note in answer

¹⁷ Not printed.

¹⁸ For documentation relating to the subject of German reparations and restitution, see vol. III, pp. 1169 ff.: for text of specific instructions sent to Brazil in regard thereto, see telegram 2089, August 28, 9 a. m., vol III, p. 1266.

to ours is being forwarded.¹⁹ Velloso's position is that no arrangement determining Brazil's share of German reparations is binding unless Braz. is party to the discussions. Fact, of course, is Brazil does not take kindly to determination of her affairs by two or three powers without consultation. Velloso agrees, however, that question is academic because of fact there is no way of collecting reparations and that by comparison with claims of other countries blocked assets here probably give Brazil as good a position proportionately as she can expect.

BERLE

740.00112A EW/9-2845: Circular airgram

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

WASHINGTON, September 28, 1945—9:45 a. m.

The Interdepartmental Proclaimed List Committee is reconsidering the present plan to reduce the Proclaimed List to a hard core in the near future and maintain the hard core until approximately one year after V-E Day. In view of the cessation of hostilities in both Europe and the Orient and the consequent relaxation or the withdrawal of controls necessary to the maintenance of an effective List, consideration is being given to the feasibility of maintaining the List substantially in its present form and setting an early date for the complete withdrawal of the List. Under this proposal there would be no further group deletions except possibly for a cooperative country such as Brazil where intermediate names have not yet been deleted. The date of complete withdrawal under this proposal probably would be about February 1st instead of one year after V-E Day. No final decision on this proposal has yet been reached by the Interdepartmental Proclaimed List Committee. However, the general outline of the proposal has been communicated to the British.

Pending a decision on the foregoing proposal the Interdepartmental Proclaimed List Committee, with concurrence of the British, has agreed that reduction to a hard core, if it is to occur at all, shall be postponed from September until November. You may therefore expect the general reduction to the hard core to be made in November unless the proposal outlined above is adopted, in which case you will be notified immediately. The Interdepartmental Proclaimed List Committee has not decided whether an October supplement will be published in the event the plan to reduce to a hard core in November remains unchanged. Publication of the October supplement will

¹⁹ Copy transmitted to the Department in despatch 2971, September 27, from Rio de Janeiro, not printed.

depend on whether missions believe any deletions are necessary before reduction to hard core. If there are any such cases in the country to which you are accredited, please report immediately.

The fact that the proposal described in the first paragraph of this airgram is under consideration should in no way affect work in connection with the selection of a hard core. The Department is continuing its work in this connection with all possible dispatch and the missions should do the same.

This airgram is being sent to all Diplomatic Missions in the other American republics, even though a reduction to a hard core has occurred for a few countries, so that all missions may be informed of developments with regard to the Proclaimed List policy.

ACHESON

740.32112 RP/10-545

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

No. 3053

RIO DE JANEIRO, October 5, 1945.

[Received October 12.]

SIR: Supplementing Embassy confidential telegram no. 3044, October 3, 1945, 3 p. m.,²⁰ I have the honor to transmit herewith a memorandum ²⁰ covering a conference held at the Ministry of Foreign Affairs on September 26, 1945, with the Ministers of Finance and Foreign Affairs, the Director of Exchange of the Banco do Brasil S.A. and other representatives of the Brazilian Government, with a view to ascertaining the intentions of the Brazilian authorities as to the completion of the program for the nationalization or liquidation of Axis enterprises in Brazil. As a result of the views expressed at that conference, I hereby confirm the recommendation made in my telegram above mentioned that the approved "intermediate group" names for Brazil be removed from the Proclaimed List of Certain Blocked Nationals during the current month, rather than to postpone such action until the general reduction of the Proclaimed List to the "hard core" in November, or later, under the program indicated in the Department's telegram no. 2302, September 21, 1945, 8 p. m.²⁰

In this connection, I desire to refer to the Department's instruction no. 7152, dated May 15, 1945, which outlined the policies to obtain with respect to the continuance of the Proclaimed List in the post-hostilities period and set forth recommendations of the Interdepartmental Committee on Proclaimed List with respect to the reduction and ultimate withdrawal of the Proclaimed List in Brazil. The Embassy was directed to approach the Brazilian Government in accordance with the recommendations contained in the "country memo-

²⁰ Not printed.

randum" transmitted with that instruction and, in its discussions with the Brazilian authorities, to stress the importance of eliminating the remaining Axis spearhead enterprises in this country. The recommendations in the "country memorandum" included the following:

"3. (a) The Brazilian Government should be informed that this Government had hoped that by V-E day the elimination of Axis Spearheads would have progressed to a point where the Proclaimed List for Brazil, with the exception of Japanese names, could have been completely withdrawn. The Brazilian Government should be asked immediately what its plans are with respect to the elimination of the remaining Spearheads. If feasible, assurances should be obtained from the Brazilian Government that elimination will occur in the near future, and the Brazilian Government should be informed that this Government proposes to withdraw the Proclaimed List for Brazil with the exception of a "hard core" list as defined in the preceding paragraph in the June 8 supplement."

Reference is also made to the Department's restricted telegram no. 1695, July 7, 1945, 2 p. m.,²¹ emphasizing the importance of ascertaining at an early date the intentions of the Brazilian Government as to the completion of the balance of the Axis replacement program in order to permit establishing arrangements for the reduction of the Proclaimed List to the "hard core" in Brazil and other countries.

It is felt, and it is understood that the interested authorities in Washington consider, that the performance of Brazil in the field of economic warfare against the Axis has been more satisfactory than that of almost any other Latin-American country. Now that assurances have been received from the Brazilian authorities that it is their intention to complete the nationalization or liquidation of the remaining enterprises in Brazil which are clearly subject to majority control from enemy territory, it is believed that it would be only just to accord a measure of recognition to Brazil's excellent cooperation by reducing the Proclaimed List in this country to a "hard core" prior to the taking of like action in other countries, many of which have much less favorable records.

The Embassy has heretofore opposed the proposals to delete any substantial number of the so-called less serious offenders from the Proclaimed List for Brazil because of the fact that, during the earlier part of this year, the progress being made in the Axis replacement program was far from satisfactory, both because few concerns were being effectively nationalized and because there were indications that certain sectors of the Brazilian Government appeared to be favoring, or at least considering, the reversal of action previously taken in certain important cases, such as Fábrica Nacional de Tambores Ltda. and Hermann Stoltz e Cia. It was felt, rightly or wrongly, that a sub-

²¹ Not printed.

stantial reduction in the Proclaimed List would be interpreted as a lack of interest on our part in the completion of the replacement program and further discourage the Director of Exchange, who is a key figure in the administration of the Brazilian controls and whose cooperation with the Embassy has been outstanding.

During the last few months, in addition to the Embassy's efforts directed especially to eliciting a statement of the intentions of the Brazilian Government as to the completion of the replacement program, as a part of which there was presented to the Ministry of Foreign Affairs the memorandum of July 25, 1945 (a copy of which in translation was transmitted to the Department under cover of Embassy despatch no. 2235 of July 31, 1945²²), the Embassy has delivered several memoranda or notes, as indicated below, in the endeavor to prevent, or to obtain more careful consideration of, certain action which appeared likely to conflict with the objectives of the replacement program.

[Here follow descriptions of three communications addressed to the Brazilian Government, together with comments regarding various business firms in Brazil.]

. . . Therefore, the solution suggested by the Minister of Finance, namely, of eliminating the interests in these Brazilian enterprises owned by German nationals residing in Germany and thereafter maintaining the enterprises under continuing surveillance by the Brazilian authorities, with the cooperation of the Embassy, may be the best practicable solution, taking into account the fact that, as the Minister observed, these enterprises are considered of interest to the economic welfare of Brazil and should be preserved.

An early expression of views of the Department with reference to the handling of these cases proposed by the Minister of Finance, as outlined herein and in the accompanying memorandum of conversation, will be appreciated. It will of course be incumbent upon the Embassy to give some definite and clear-cut response to his suggestion in the near future.

It is requested also that the Embassy be notified as promptly as possible of the decision reached on my present recommendation for the elimination of the "intermediate group" names from the Proclaimed List for Brazil during October²³ and, if such recommendation is approved, of the date on which such elimination will be effected. In the event that there is any uncertainty on the Department's records as to the names which the Embassy believes should be removed at this time, the Department's early advices are requested.

²² Neither printed.

²³ In instructions 7551 and 7552, October 5, 1945, the Department indicated removal from the Proclaimed List of this "intermediate group" of names (740.-32112A/8-3045, /8-645).

It may be mentioned that the number of petitions for deletion being received from firms and individuals included in the list of less serious offenders is steadily increasing and demands a disproportionate amount of time from the present reduced staff of the Economic Warfare Section, thereby distracting attention from the more important matters. The number of inquiries received from the Brazilian Foreign Office on cases of this nature has also increased noticeably within the last two or three months. It should be borne in mind that some of the "intermediate group" names undoubtedly would have been recommended for individual deletion before now, except for the belief that the reduction to the "hard core" in Brazil would be effected at the latest in September or early October of this year.

As was stated in my telegram no. 3044, the Ministers of Finance and Foreign Affairs have indicated that they feel it would be desirable and proper to remove from the Proclaimed List at this time the names of the less serious offenders not involved in the replacement program. Furthermore, as was reported in my despatch no. 2338 of August 6, 1945,²⁴ Dr. Santos Filho and the Agencia Especial de Defesa Economica have heretofore cleared by far the greater number of the names recommended by the Embassy and approved by the Interdepartmental Committee for removal from the Proclaimed List in the "intermediate group".

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

740.32112 RP/10-545 : Airgram

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

WASHINGTON, November 8, 1945.

A-1028. Reference your despatch no. 3053 of October 5, 1945.

The IDPL²⁵ discussed the proposal made by the Minister of Finance regarding PL firms possessing technical personnel which, if dismissed as a condition to the deletion of the firms now employing such personnel, would in all probability provide a nucleus for the formation of new and perhaps equally undesirable firms.

The Committee felt that the proposal of the Minister of Finance might be a satisfactory solution of this type of case since such a plan would eliminate the majority German interest in the firms and would provide some control over the elements in Brazil concerning which there is some question. The Committee was obviously not in a position to commit itself with respect to any particular case of this kind

²⁴ Not printed.

²⁵ Interdepartmental Committee on the Proclaimed List.

without having further details, such as the extent of the ownership of the undesirable local persons, the importance of the positions which they hold in the firm, the seriousness of our suspicion concerning them, whether they are now or have ever been on the Proclaimed List, the disposition of the shares formerly owned from Germany, etc. You are authorized, however, to inform the Brazilian authorities that the Committee is receptive to the general plan and is prepared to consider proposed reorganizations of any individual cases on this basis. You may also inform the Brazilian authorities that the Committee can of course not commit itself on any given case before reviewing the proposed conditions of the reorganization. In this connection, the Embassy's despatch no. 3169 of October 16, 1945²⁶ regarding Corneta Ltda., has been received by the Department and will be considered by the Committee within the next few days.

The foregoing decision is being referred to the British Economic Warfare Department at London by the British representative on the Committee.

BYRNES

740.32112 RP/11-1345 : Telegram

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

RIO DE JANEIRO, November 13, 1945—6 p. m.

[Received 11:15 p. m.]

3405. As result conversations with Drs. Santos Filho and Moreaux²⁷ since mytel 3388²⁸ Embassy feels even more strongly it would be unwise to effect further deletions from Brazilian section Proclaimed List at this time, except 8 names liquidated enterprises listed that telegram. Both men, particularly Santos Filho, feel his substitution as Exchange Director was engineered by persons like Jayme Vasconcellos (who has been endeavoring to procure reversal measures against Stoltz firms) and other "fifth columnists", and fear that latter may have seriously detrimental influence in future determination replacement program policies. Castro Menezes does not plan to take active part in replacement work and, while both Moreaux and Penna²⁹ are scheduled to continue, none of three has same prestige and force as Santos Filho to resist attempts to reverse measures previously taken and to maintain firm position. Under these circumstances and making due allowances for possible undue pessimism on Santos Filho's part, it seems much wiser to hold Proclaimed List for Brazil in present status pending further developments. Believe even deletion less im-

²⁶ Not printed.

²⁷ Achilles Moreaux, Assistant to the Director of Exchange.

²⁸ November 9, 1945, not printed.

²⁹ Manoel Augusto Penna, Head of the Agencia Especial de Defesa Economica.

portant Japanese names would be tactically inadvisable and hence will not submit list of latter, as forecast by my 3388, unless Department so directs following receipt this message.

BERLE

462.00R/9-2745

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

No. 7654

WASHINGTON, November 19, 1945.

The Secretary of State refers to secret despatch no. 2971 of September 27, 1945 from the Embassy at Rio de Janeiro³⁰ reporting that the Brazilian Government does not agree with the position of the American Government that German assets within Brazil are sufficient to satisfy Brazilian war claims and that the disposition of German assets in the Western Hemisphere should be the subject of inter-American consultation on the assumption that claims of the American states can be satisfied entirely out of German assets within their control, and further that the Brazilian Government reserves the right to present in due course its reparations claims.

The assumption by the Brazilian Government of this position furnishes an opportunity to point out to the Brazilian Government that it is to its advantage to complete the Axis replacement program by the nationalization or liquidation of all remaining properties owned or controlled from Germany in order to satisfy its reparation claims out of the proceeds. Recent reports from the Embassy at Rio de Janeiro, notably confidential despatch no. 3053 of October 5 and telegram no. 3180 of October 19, 5 p. m.,³¹ provide further grounds for believing that the Axis replacement program will be brought to a satisfactory termination in Brazil, but it is understood that there remain some enterprises owned or controlled, directly or indirectly, from Germany which the Brazilian Government has not yet nationalized or liquidated.

It should likewise be emphasized to the Brazilian Government, in view of the position taken that confiscated German assets in Brazil will not be sufficient to satisfy Brazilian war claims, that the Brazilian Government should be very careful not to release proceeds of nationalized or liquidated properties to persons suspected of being representatives of German interests until a thorough investigation shall have been made in Germany as well as in Brazil of the beneficial ownership of the properties. It is understood that there have been surrenders, and that other surrenders are under consideration, of the proceeds of nationalized or liquidated properties to Brazilian and neutral nationals who are the nominal owners. It is possible that SAFEHAVEN investiga-

³⁰ Not printed.

³¹ Latter not printed.

tions will confirm the German beneficial ownership of these properties, and if so, the proceeds thereof are properly applicable to satisfy reparations claims. The Embassy has already been informed of the results of SAFEHAVEN investigations confirming the German ownership of Fábrica Nacional de Tambores Ltda. (ex-PL) and corroborating the evidence of German ownership of Aços Phenix Ltda. (PL).

It is requested that the foregoing observations be brought to the attention of the Brazilian Government, and that the Brazilian Government be also informed that the Government of the United States is ready and willing to consult with it at any time regarding the beneficial ownership of any properties as to which the evidence of German ownership and control is not considered conclusive, to make all information which it has in its possession regarding the ownership of such properties available to the Brazilian Government, and to transmit requests for the investigation of the ownership of any such properties to Germany where SAFEHAVEN officers may be in a position to examine the records and to interrogate the officers of German concerns.

**PROBLEMS CONCERNING THE SUPPLYING OF PETROLEUM TO BRAZIL
AND THE ESTABLISHMENT OF OIL PRODUCTION AND REFINING
FACILITIES IN THAT COUNTRY**³²

832.6363/3-3045 : Telegram

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

RIO DE JANEIRO, March 30, 1945—4 p. m.

[Received 10:45 p. m.]

971. There are indications that the Brazilian Government may be prepared to reopen the question of admission of oil companies to oil exploration rights in Brazil. This is partly due to the Act of Chapultepec³³ and to the military obligations to be assumed in the current staff conversations³⁴ since it is plain that mechanized military operations involve a continuous and readily available supply of oil in the country.

In his conversation with Minister Velloso³⁵ the President indicated an interest in this and the possibility that a joint Brazilian American oil exploration company might be formed. Heretofore the attitude of the Department has been substantial insistence on the opening of Brazilian exploration rights under conventional royalty arrange-

³² For previous documentation on U.S.-Brazilian cooperation with respect to shipping problems, see *Foreign Relations*, 1944, vol. VII, pp. 642 ff.

³³ For text, see Department of State, *Treaties and Other International Acts Series No. 1543*, or 60 Stat. (pt. 2) 1831; for documentation on the Chapultepec Conference on Problems of War and Peace, see pp. 1 ff.

³⁴ For documentation on these conversations, see pp. 600 ff.

³⁵ Pedro Leão Velloso, Acting Minister of Foreign Affairs.

ments, and the attitude of the companies has been that unless they can get concessions in the usual sense they cannot be expected to take the risks involved in oil exploration.

The Embassy is studying the whole question but would appreciate a statement of the present attitude of the Department and any suggestions it may have. Of course, before definite recommendations are made to the Government the Department will be consulted.

The importance of the subject is very considerable. The combined problem of transport and industrialization revolves in large measure around the development on the one hand of electric power and on the other of fuel, especially oil. The terms on which this development takes place are therefore of first importance to the country. It seems reasonably plain that oil is available.

In this connection we are informed that the Brazilian Government has retained the services of De Golyer and Co. of Dallas, Texas as oil consultants paying a retainer of \$60,000 per year. The advice is said to be the best obtainable.

BERLE

832.6363/3-3045 : Telegram

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

WASHINGTON, April 3, 1945—7 p. m.

871. Reurtel 971, March 30, 1945. The attitude of the Department regarding the question of admission of foreign oil companies or foreign private capital to oil exploration and exploitation rights in Brazil has not changed.

The Department, because of the war time and long-range importance of oil, favors the development of foreign oil resources and encourages the participation of American companies in that development.

The Department further realizes that since Brazil is a large unexplored territory where certain physical obstacles and lack of transportation present serious difficulties to profitable oil development, and where substantial financial risks are consequently involved, American companies should be assisted in negotiating with the Brazilian authorities on a basis which will be entirely fair and equitable to both the company and the Brazilian government, and which will also follow sound development practice used under similar conditions elsewhere involving royalty and other arrangements commensurate with the company's risk.

The Department takes the clear position that, if any country grants to foreigners rights concerning the exploration and development of petroleum resources, the nationals of any other country should be

accorded equal opportunity with the nationals of the United States to obtain such rights.

This position has been constantly maintained in the discussions with the British covering the Anglo-American Oil Agreement.³⁶

The Department believes that a joint Brazilian American Oil Exploration Company, mentioned in your number 971 of March 30, might conceivably run counter to the general policy outlined above, and would appreciate having the Embassy elaborate further as to what type of joint exploration company was contemplated.

STETTINIUS

832.6363/4-1645

*Memorandum of Conversation, by Mr. Richard F. O'Toole of the
Division of Brazilian Affairs*

[Extract]

[WASHINGTON,] April 16, 1945.

Participants: Mr. Roberto Campos, Brazilian Embassy
Dr. Silvio Froes de Abreu, Consulting Engineer,
Brazil
AP—Mr. Rayner³⁷
PED—Mr. Townsend³⁸
RA—Mr. O'Toole

At the invitation of Mr. Townsend of PED I joined him in Mr. Rayner's office this morning to meet Mr. Campos³⁹ of the Brazilian Embassy who presented Dr. Silvio Froes de Abreu, a Brazilian consulting engineer, who is visiting this country for the purpose of studying chemical soil analysis.

Dr. Abreu prefaced his remarks with a statement that it was at his instigation that President Vargas had ordered drilling in the Bahia oil fields and that before leaving on this trip the President had asked him to look into the possibility of participation of private American oil companies in Brazilian oil development. Dr. Abreu then remarked that Brazil recognized the impossibility of leaning on the United States indefinitely for its petroleum requirements and said that he would like to have the Department's cooperation and advice and would like to know its attitude with regard to participation of American private capital along the lines indicated above. To this Mr. Rayner answered that the Department was very much interested in seeing

³⁶ For text of unperfected agreement, signed September 24, 1945, see Department of State *Bulletin*, September 30, 1945, p. 481; for further information concerning the agreement, see bracketed note, vol. VI, p. 244.

³⁷ Charles Rayner, Office of the Petroleum Adviser, Department of State.

³⁸ Rex Townsend, Petroleum Division.

³⁹ Roberto de Oliveira Campos, Second Secretary of Brazilian Embassy in the United States.

Brazilian oil resources developed by American private capital on a basis of equality with any other foreign private capital and that we would be glad to cooperate to an extent that would not constitute interference on the part of this Government.

800.6363/5-2545 : Circular airgram

The Acting Secretary of State to the Diplomatic Representatives in Certain American Republics ⁴⁰

WASHINGTON, May 25, 1945—1 p. m.

There have been indications that some Latin American countries anticipate that supplies of petroleum products will be increased in view of the reduction in military requirements in Europe. To avoid any misunderstanding we are transmitting below an analysis of the probable outlook for petroleum supplies. While readjustments following V-E Day may make some additional gasoline supplies available in the United States, they do not free additional water transportation. There is therefore no immediate prospect that the present allotments of gasoline can be increased in the countries of South America dependent upon tanker transportation. It is suggested that you give such publicity to this analysis as you consider appropriate in order that there may be a clear understanding of the over-all petroleum supply position. The Army-Navy Petroleum Board already has similarly advised all Area Petroleum Officers and the PSCLA ⁴¹ is transmitting this analysis to the local Pool Committees.

[Here follows analysis of petroleum supply and transportation situation in general.]

The countries of Latin America may be assured that as soon as military developments permit a larger volume of petroleum supplies to be shipped to these countries, the necessary readjustments to that end will be promptly made.

GREW

832.6363/6-2545 : Telegram

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

WASHINGTON, July 4, 1945—6 p. m.

1678. Reurgram A-861, June 13 and reurtel 2017, June 25.⁴² Present global fuel oil shortage makes any further increase in Brazilian

⁴⁰ Sent to diplomatic representatives in Cuba, Panama, Chile, Costa Rica, Guatemala, Nicaragua, Brazil, Bolivia, Paraguay, Uruguay, Dominican Republic, Haiti, El Salvador, and Honduras.

⁴¹ Petroleum Supply Committee for Latin America.

⁴² Neither printed.

fuel oil supplies out of the question at this time. Recently approved increase of 5,000 tons monthly to alleviate transportation and thereby assist FEA food purchasing program, it was assumed, would go primarily to industrial plants using wood for purpose of relieving railroads of wood shipments.

Has possibility been considered of giving textile mills now burning wood priority in allocation of this fuel oil and thereby facilitating both food procurement and textile programs? Considering greater efficiency of firing fuel oil, approved 5,000 tons fuel oil or substantial part of it might well meet major part of the requirements for textile manufacture.

This message was discussed with Batt's⁴³ office which fully understands situation.

BYRNES

832.6363/7-1045 : Telegram

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

RIO DE JANEIRO, July 10, 1945—2 p. m.

[Received 8:23 p. m.]

2166. For Dept., FEA and WPB.⁴⁴ Embassy is considering Dept.'s telegram that local shortage of oil prevents allocation of more than 5,000 tons per month additional fuel oil to Brazil. Embassy is unwilling to make this argument because quite bluntly it would not be believed. Global oil shortage was stressed to Brazil just prior to unlocking of 500,000 tons for Argentina. Disparity of figures is too great. Further, Embassy believes fact of global shortage should be reexamined. There may well be global shortage of oil meeting specifications of Navy 1 and 2; but such high specification oil not required for fuel purposes in Brazil.

Dept., FEA, and WPB also must be aware of fact that they have negotiated for and obtained textile production calling for 8,000 tons oil monthly, and food production which will eventually call for approximately 10,000 tons monthly if food is to reach ports. Meanwhile, nearly 1,000,000 bags of rice are rotting in Goiaz for lack of transport now; and local distress is mounting. Under these circumstances 5,000 tons additional does not represent realistic approach, since it is doubted whether Govt. can withdraw oil from existing country needs aggravating existing distress. Yet this is what must be done if program negotiated for is to go forward.

⁴³ Presumably William L. Batt, Vice Chairman, International Supply, War Production Board, and U.S. member, Combined Raw Materials Board—United States and United Kingdom.

⁴⁴ War Production Board.

Embassy cannot refrain from observing that this is what happens when uncoordinated negotiations take place. In each case impression was created that oil needs for production would be taken care of somehow, and while specific commitment not made, effect of 5,000 ton allotment will be that of renewing [*reneging?*] on general understanding. Certainly no negotiation went forward on basis that country must withdraw oil for [*from?*] its own needs for production and export.

Under these circumstances, Embassy believes that interested agencies should get together and take bull by horns. If there is residual fuel oil, that can be used to increase allotment. If not, or if such oil is inadequate, Embassy believes matter should be squarely faced with Argentine Govt. and approximately 180,000 tons should be temporarily withdrawn from Argentine commitment for use in Brazil. Certainly if this technique could be applied at once to untransported rice surplus, immediate results could be obtained.

Kindly cable answer. Ambassador proposes visit Goiaz to examine rice situation on Saturday.

As background all hands should have in mind that Embassy continues to receive anonymous letters contrasting Brazilian with Argentine situation.

BERLE

832.6363/7-1145 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, July 25, 1945—11 a. m.

1836. Reurtels 2166, July 10; 2181, July 11; 2182, July 11.⁴⁵ Dept believes that it has not adequately explained recent changes in petroleum situation which have brought about difficulty if not impossibility of providing Brazil fuel oil for textile and food programs in addition to recently approved increase of 5,000 tons monthly. These changes have occurred since May 9, 1945 the date fuel oil-linseed oil exchange was signed with Argentina.

Prior to V-E Day, May 8, limiting factor to increasing fuel oil deliveries to Brazil was shortage of tanker tonnage. For some 6 months prior to May 8 it had prevented approval of any increases except those supported by the strongest justification. During that period there was no shortage of fuel oil in the Caribbean area. Stocks in fact were excessive and petroleum operating officials pressed the Dept from time to time to find some means of giving the refineries relief. Unfortunately little relief could be found that did not involve WSA tonnage, and this was not available.

⁴⁵ Telegrams 2181 and 2182 not printed.

It was with this petroleum background—burdensome stocks of fuel oil and extremely critical shortage of tankers—that Argentine transaction was negotiated. To extent that WSA tonnage was committed for shipment of fuel oil to Argentina it may be argued that the transaction was not consistent with facts indicated but need for vegetable oils made deal imperative. On other hand commitment to ship fuel oil southbound in WSA tonnage was limited to 20 per cent of total or to 100,000 tons, and of this 25–30,000 tons will probably be shipped as excess bunkers on dry cargo vessels. Argentina undertook to transport other 400,000 tons.

It may be pointed out that recently approved increase of 5,000 tons monthly of fuel oil for Brazil involves almost as great demand on WSA tanker tonnage as entire Argentine deal. In addition Brazil's petroleum allotments for 1945 had previously been increased since December 1, 1944 by 584,000 barrels not including recent increase in gasoline estimated by Emb to require 105,000 barrels. Of the 103,500 tons which these increases total, some 77,000 tons will be shipped in WSA vessels. Thus additional commitments of WSA tonnage for Brazil in 1945 total 107,000 tons in comparison with about 75,000 tons for Argentina. Total Brazilian allotments require use of over million tons WSA tanker capacity. It may also be pointed out that Argentina's supply of combustibles was not increased by the exchange since it provides only for the replacement of linseed oil by fuel oil on a caloric content basis.

It is assumed that Emb does not question vital need for linseed oil to be obtained from Argentina. Until Embs 2166 was received it was assumed that Ambassador understood from his discussions in Washington that priority of need was so great, and nature of commitment was such, that any consideration of reducing deliveries of fuel oil to Argentina under the linseed deal for the purpose of giving such fuel oil to Brazil was out of the question. This situation has not changed. Dept therefore believes nothing can be gained from further consideration of this possibility. For Embs information present fuel oil shortage is making it extremely difficult to obtain necessary fuel oil to carry out this U.S. commitment.

Since V-E Day petroleum situation has changed drastically as a result of greatly increased demands for fuel oil to meet both bunkering and Navy requirements. Within short space of 6 weeks these new demands have transformed surplus which previously existed into serious shortage not only of Navy grades but of Bunker C as well. This conclusion based on studies petroleum situation which are kept fully up-to-date by petroleum authorities. Additional fuel oil that is added now to program of any country must come out of oil which Navy is scheduled to lift or out of programs of other countries. Petro-

leum available for liberated European countries today is only 40 to 50 per cent of their pre-war consumption as compared with Brazil's 80-85 per cent for all products and over 90 per cent for fuel oil. Until oil supplies of these countries are brought more nearly into line with those of other countries, any increase in an existing program can only be provided for a use which carries highest priority.

ReDeptel 1678, July 4. Embs 2166 did not answer Depts question regarding use of approved 5,000 tons fuel oil in such a manner as to facilitate not only food but also textile program.

What consequences may be expected if additional fuel oil is not made available for textile program? Embs A-861, June 13,⁴⁶ stated only that fuel oil requested by National Petroleum Council must be provided if textile contracts to be completed in minimum time. Does Dept understand that failure to provide additional fuel oil involves only delay in completion of textile contracts and not danger that program will break down completely? Is Dept not correct that Brazil signed textile contracts without asking for and without receiving any commitments regarding additional fuel oil?

GREW

832.6363/8-1145 : Telegram

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

RIO DE JANEIRO, August 11, 1945—12 a. m.

[Received 7:46 p. m.]

2524. Deptel 1836, July 25. Embassy is obliged for Dept.'s careful and detailed explanation. Ambassador hopes he made situation clear in Washington. Facts appear to have been that we had a surplus of oil but little transport: Argentines had good deal of transport but only limited if any moral right to oil; Brazil had no transport, was short of oil and had moral right to both. Obvious policy would have been to consult Brazil and negotiate joint arrangement with Argentina requiring Argentina to share transport, we sharing oil, and Argentina contributing her linseed oil as *quid pro quo* for her share. Embassy made recommendation that Warren Mission,⁴⁷ if it had to negotiate with Argentina at all, take all the considerations together, requiring Argentina to agree to all points and thus covering entire situation. Ambassador's position of course was that entire Argentine matter should have been postponed during a "probatory period" lasting some months to see whether Argentina would really fulfill understandings and assumptions contained in the Act of Chapultepec, and this was also position of Brazilian Govt.

⁴⁶ Not printed.

⁴⁷ For information concerning this Mission, see circular telegram of April 23, 3 p. m., to diplomatic representatives in certain American Republics, p. 378.

However this is history and we are wrestling as best we can with present situation. Embassy appreciates gasoline arrangements which have helped matters somewhat and textile people are making good progress toward securing additional textile production. I should guess that situation will remain relatively easy for immediate present but that increased requirements of oil will cause stringency perhaps 2 or 3 months hence which will have to be kept in mind so that we can meet situation before it becomes acute. Embassy is separately answering Dept.'s suggestion that 5,000 tons of oil be specifically ticketed for food and textile program. Rough forecast is that textile program will go forward for present but that we shall run into resistance possibly in October or November as oil position becomes increasingly tight and textile people need additional supplies. Naturally we are not encouraging program to break down merely because of situation created. Save for occasional humorous thrust Brazilians are taking friendly and tolerant attitude that all govts. make mistakes occasionally and that Argentina is one of the best traders in the world.

In summarizing, situation is that we shall presently get by with the 5,000 tons of oil but all hands ought to realize that there will be high pressure area somewhat later on which will have to be dealt with.

With specific reference to food supply, my own travels in country seem to indicate that gasoline rather than fuel oil will be needed. Problem is that of truck transport to railhead and in some places reasonable and limited supply for motorized agricultural machinery.

BERLE

832.6363/9-1845

*Memorandum of Conversation, by the Commercial Attaché in Brazil
(Clark)*

RIO DE JANEIRO, September 18, 1945.

Participants: The Ambassador, Col. João Carlos Barreto, DuWayne G. Clark.

During a luncheon conversation at the Embassy Residence on September 18, Col. João Carlos Barreto, president of the Brazilian Petroleum Council, was requested to outline the progress being made towards the realization of a plan which might permit and encourage the exploration for petroleum in Brazil. Col. Barreto's remarks fell into two general categories, that is, preliminary conversations which are now under way, which may eventually permit the change in the Brazilian constitutional provisions allowing the entry into the country of foreign capital and technical knowledge. The other general remarks referred to the more immediate possibility of something being

done to arrange for the refining of imported crude petroleum in Brazil so that at least a start could be made towards a national industry.

As has been the case in previous conversations, Col. Barreto repeated and emphasized the fact that any change which might be made in the Constitution which would permit the entry into Brazil of foreign capital for participation in the petroleum industry would be most difficult. He indicated that as matters stand at the moment, the prohibition against foreign capital applies not only to petroleum exploration and exploitation, but also to refining. He indicated that while this subject has been the subject of discussion of the Petroleum Council, as well as between Barreto and President Vargas, he, Barreto, wanted to be on very safe ground and for that reason had referred it also to the Army and the Navy and the Airforce. He indicated that he expects to be able to discuss the matter with the Chief of Staff of each of these military services in the near future. He seemed quite confident that all of these services fully appreciate the importance of developing a petroleum industry in Brazil, but he was not too clear as to whether there would be any unity of thought or opinion as to how the present petroleum law could be changed to permit the entry of foreign capital.

Col. Barreto is anxious to anticipate the eventual production of crude petroleum in the country through the creation of a refining industry in Brazil as soon as it is practical. He stated that he had received proposals from two Brazilian parties, both of whom have sufficient finance to handle such a proposition. Col. Barreto seemed to be desirous of developing a small refinery, something capable of handling approximately 10,000 barrels of crude per day. He emphasized that this refinery would afford an opportunity for technical training and experience for men who would later be employed in the industry, when it is further developed. Barreto indicated that the two proposals which he has received are from exclusively Brazilian capital sources and he stated that the encouragement and acceptance of one of these proposals would depend (1) upon a guaranteed source of crude petroleum, (2) a guarantee that the refinery can be operated in such a way that the various products will not be marketed throughout the country at a cost higher than those now imported and (3) a previously arranged marketing agreement between the refinery company and one of the now extant distribution organizations, such as Standard, Shellmex, Texas or Atlantic, to ensure the distribution and sale of the products of the refinery.

Col. Barreto also mentioned the intention of the Petroleum Council to erect and operate a small pilot refinery in the Bahia area, a plant capable of handling something like 2,500 barrels of crude petroleum per day. He indicated that only to this extent would the Govern-

ment of Brazil be interested in participating financially in the petroleum industry. He repeated several times that the projected refining industry would be wholly private capital, and he also stated that any exploration and exploitation should also be on the basis of private capital and that the Brazilian Government, at least from his point of view and opinion, should not have a financial interest in these enterprises.

832.6363/10-2345 : Telegram

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

WASHINGTON, October 23, 1945—5 p. m.

2497. The petroleum supply and transportation situation as a result of termination of hostilities and reduction in military requirements has now eased. Dept therefore feels limitations now in force covering programming and coordination of supplies and transportation will no longer be required after Oct 31, 1945 and you may so inform the appropriate local authorities.

Accordingly, Petroleum Supply Committee for Latin America will cease scheduling shipments of petroleum products as of that date.

Importers should therefore make their own arrangements to secure supplies and tanker transportation after that date.

You may thank officials concerned for their active cooperation during period of restrictions now ending indicating appreciation of this Govt for their contribution to joint effort and success of United Nations.

Detailed information will be cabled in few days.

BYRNES

**PROBLEMS CONCERNING PROCUREMENT BY THE UNITED STATES
OF BRAZILIAN COFFEE**⁴⁸

832.61333/1-2745 : Telegram

*The Acting Secretary of State to the Appointed Ambassador in
Brazil (Berle)*

WASHINGTON, January 27, 1945—9 p. m.

257. General Hardigg⁴⁹ of the Quartermaster General's Office conferred January 26 with Clayton⁵⁰ and other ranking officials of the Department regarding the Army's coffee situation. The latter is so precarious that it was decided to attempt to have the coffee trade here

⁴⁸ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 617 ff.; for documentation on U.S. interest in problems of the Inter-American Coffee Board, see *ante*, pp. 351 ff.

⁴⁹ Maj. Gen. Carl A. Hardigg.

⁵⁰ Assistant Secretary of State William L. Clayton.

make available for immediate Army use some of the coffee originally purchased for civilian consumption. It would appear that rationing cannot long be delayed in the absence of the sale of substantial quantities of coffee by producing countries for Army use.

No reply has been received to Department's 207, January 20,⁵¹ requesting details on the coffee realization bond proposals. It would appear that time is getting very short.

For the Embassy's secret information, it has been learned that Souza Costa⁵² and Penteado⁵³ are considering the possible effect of using delaying tactics in the sale of coffee on the determination of the United States to hold present ceiling prices.

With regard to the last point, it appears that Colombia is employing delaying tactics, similar to the apparent Brazilian strategy.

In view of the above, the Embassy is requested to make clear to Souza Costa:

1. The extreme urgency of the situation and the imminence of rationing.
2. The futility of expecting to get a higher price.
3. The need for working out a plan at once for supplying substantial quantities of coffee to the Army.

GREW

832.61333/1-3145 : Telegram

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

RIO DE JANEIRO, January 31, 1945—7 p. m.

[Received February 1—2:47 p. m.]

326. Immediately after presenting my credentials, we tackled the matter of securing the 1 million bags of coffee for the Army with Souza Costa. We made it clear that it was utterly impossible to expect to [*a?*] change in the ceiling prices and I let him read relevant parts of the Department's instruction (your 145, January 15, 9 p. m.⁵¹) in that regard. I said that rationing might well be imminent unless something were done. Souza Costa agreed to call a meeting of the coffee suppliers and said that he thought that on February 5 he could give us assurances that the coffee would be forthcoming.

He then explained with some care the difficulties of the coffee growers. I told him we had not any interest in the speculative holders of coffee and particularly not in operations like those conducted by Sampaio Vidal who has been putting out reports of his intention to take up the coffee price question with this Embassy and his hopes

⁵¹ Not printed.

⁵² Arthur de Souza Costa, Brazilian Minister of Finance.

⁵³ Eurico Penteado, Brazilian delegate to the Inter-American Coffee Board.

of getting action, thereby getting publicity which has caused prices to rise. Souza Costa fully agreed. But he said in coffee as in other things, the volume of production goes down as the unit cost goes up; and for the last couple of years drought and weather conditions have severely limited the crops. Present indications are that the present crops will likewise be short. Under these circumstances, he said it is largely true that the ceiling price is lower than the cost of production; and the question is of how to induce the growers to release their holdings. Those growers he said who were unable to hold because of their loans simply sold to Santos speculators who could hold relying on the unfavorable statistical position of coffee. I said that I did not want to hold out any hope of relief action and particularly none as to ceiling prices since it was clear that the American Government would hold that price under any circumstances. But I said I should be glad if he would let me have for my personal use actual cost of production figures of the coffee crop or crops so that we could adequately appraise the situation. I said that under no circumstance would we want to do any thing but, of course, a method would have to be found by which the coffee growers themselves could recover their cost of production. I further stated that I wished him to keep this entirely secret since I did not want to inspire hopes that might not be fulfilled and certainly none which would lead coffee growers to withhold their crops from the market.

Souza Costa said that no coffee grower who could be found doing so to release it at a profit, would release it at a loss and to secure the million bags the Army wished he would have to offer to finance the new crop on longer terms and probably at an amount per bag greater than the ceiling price—this being in effect a kind of credit subsidy.

My impression is that the Army can count on its coffee since I am inclined to take Souza Costa's assurances at face value.

BERLE

832.61333/2-645 : Telegram

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

RIO DE JANEIRO, February 6, 1945—3 p. m.

[Received 8 p. m.]

384. Souza Costa this morning confirmed his undertaking to furnish 1 million bags of coffee for Army at ceiling prices and stated that delivery will be made through DNC⁵⁵ at rate of 250,000 bags monthly beginning February but will do utmost to complete delivery entire million bags in 3 months if Army desires. Accordingly, Army should provide at once its purchase and shipment schedules. Souza

⁵⁵ Departamento Nacional de Cafe (Brazilian National Coffee Department).

Costa has given appropriate instructions to DNC and Embassy will check deliveries as it did on 4 million bag deal.

Souza Costa will inform Penteádo of foregoing by telephone this afternoon in order that latter may advise Colombia before arrangement becomes known through other channels.

This completed answer to Department's 301, February 1, 7 p. m.⁵⁶

BERLE

811.244/2-2445 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, February 24, 1945—9 p. m.

522. Department and Army greatly appreciate efforts of Embassy and Brazilian officials leading to agreement by the Brazilian Government to supply 1,000,000 bags of coffee to the Army. This alone is not sufficient to correct the present very unsatisfactory general coffee situation in this country, however, and it is hoped that some plan may be announced by the Brazilian Government during the present coffee convention⁵⁷ that will assure the sale of a satisfactory volume of civilian coffee.

The Army will need to purchase approximately 4 million bags of coffee during the present calendar year. At this rate approximately 650,000 bags of Army coffee will have been used between the time the question of supplying additional coffee for the Army was raised with the Brazilian Government in the early part of January and the time the first installment of the million bags is to be sold in March.

Civilian stocks in this country have declined every month from the very satisfactory levels of last July. Roastings are at the highest rate in history, having approximated 1,750,000 bags in January. Stocks at the end of January were approximately 4,100,000 bags, considered by the War Food Administration to be about the minimum safe operating inventory. Sales during February for civilian consumption reported to the War Food Administration through the 23rd were only slightly in excess of 300,000 bags. Sales of Brazilian coffee for civilian consumption have virtually dried up. The outlook is therefore grave.

The only possibility of relieving this situation is through greatly increased sales by the producing countries at the present ceiling prices. It is requested that the Embassy point this out to the Brazilian authorities for their consideration in connection with any plans

⁵⁶ Not printed.

⁵⁷ Reference, apparently, is to the Brazilian Interstate Coffee Convention which met February–March 1945, and indicated support for Government subsidies and interest-free loans for the coffee industry.

they may now have under consideration for coffee. The strongest possible assurances should be given that the price ceilings in this country will not be raised.

For the Embassy's secret information the Department is certain . . . that the Brazilian delegate to the Coffee Board has not impressed the immediately foregoing point sufficiently on the Brazilian authorities. On the contrary, he has constantly held out to them the hope of a price increase in spite of all efforts of the Department and other agencies of the Government to impress upon him and the other representatives of the producing countries the fact that the price decision is to remain unchanged.

GREW

[Efforts to arrange for procurement and shipment of additional supplies of coffee continued until August 13, when in telegram 1985 the Department of State informed the Ambassador in Brazil (Berle) that as a result of the "apparent imminence" of peace the Army's need for coffee was being revised and that the Quartermaster General requested that negotiations for 600,000 remaining bags be deferred until further notice (811.244/8-1045).]

832.61333/10-245 : Telegram

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

RIO DE JANEIRO, October 2, 1945—4 p. m.

[Received 5 : 55 p. m.]

3026. ReDept's tels 2321, September 26, 12 noon and 2349, September 29, 5 p. m.⁵⁸ This afternoon Daniels⁵⁹ asked Souza Costa whether Brazil could make commitment to offer for sale Government-controlled coffee stocks at ceiling prices to stabilize market if US ceilings were eliminated. It was made clear to Souza Costa that release of any coffee behind coffee realization bonds should be handled in such a way as fully to protect bondholders' rights.

Souza Costa said that it would be desirable to liquidate coffee realization loan and saw no basic difficulty to accomplishing this. He pointed out however that sale of coffee stocks would be unpopular in trade circles and would present political complications. He said he would study the matter carefully and would give a more specific answer by next Saturday or Monday. Further and more detailed explanation of how release of loan coffee would be handled will be sought from Souza Costa at that time unless his assurances are adequate.

⁵⁸ Neither printed.

⁵⁹ Paul C. Daniels, Counselor of Embassy in Brazil.

Daniels impressed upon him urgency of matter pointing out that reaching agreement on aforesaid basis would be easier now than it might be later in view of speculative influences in coffee market. Souza Costa agreed; and specifically requested that this proposal be discussed with no person other than himself to which Daniels agreed.

Santos market still higher as apparent result of further reports from Washington and New York on ceiling price agitation and accordingly utmost discretion in Washington desirable pending conclusion of agreement with Brazil.

Embassy believes no further public statements or action in Washington necessary or desirable pending further word from Souza Costa which is expected by next Saturday or Monday and which will be cabled promptly to Department.

BERLE

832.61333/10-1245 : Telegram

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

RIO DE JANEIRO, October 12, 1945—5 p. m.

[Received 9:35 p. m.]

3121. Re Embassy's telegram 3026 of October 2, 4 p. m. Souza Costa this morning asked Daniels to come to his office to discuss coffee. He said that basic idea of releasing Government-controlled coffee stocks simultaneously with removal ceiling prices presented possibilities, but that to offer stocks for sale at existing ceiling prices would be politically unacceptable if not impossible. He referred to Brazil's present and prospective stock position which, together with favorable crop forecasts, indicated that Brazil would be confronted with a surplus next year with consequent market uncertainties. In such conditions sale by Government of existing Government-controlled stocks would gravely complicate matters and expose Brazilian Government to serious criticism for undertaking such commitment and also US Government for forcing it on Brazil. He said that he recognized desire to avoid too abrupt and steep price advance upon removal ceilings but felt sale of government stocks at reasonable price in advance of existing ceilings would be fair compromise. Daniels said that while sale of stocks at existing ceilings would be more readily acceptable in Washington, he would transmit such proposal contemplating sale of stocks at a price 2 or 3 cents above existing ceilings.

Souza Costa said he would consult confidentially a few representatives of São Paulo growers this afternoon and after having ascertained their reaction would converse further with Daniels Monday morning. Daniels asked that possibility of sale of Government coffee above ceiling price be not disclosed to these persons in order to avoid

further speculative activity and Souza Costa agreed. Undoubtedly, however, growers will inquire regarding this possibility, affording Souza Costa opportunity to ascertain whether 3 cents above ceiling would be acceptable.

In sum, proposal now under consideration contemplates sale through private exporters of 5 million bags of government-controlled "bankers' " coffee at a price to be agreed upon, such sales to cease automatically whenever market drops below that price, with commitment to last until 5 million bags have been sold but in no case longer than 2 years; bondholders' rights to be fully protected; no increase in minimum export price or taxes on coffee.

In event Souza Costa finds it possible to conclude agreement on this basis at price 3 cents in advance existing ceiling, it would be helpful to Embassy to be authorized to conclude agreement next Monday if Department approves. Recommend Department telegraph at once exact phraseology acceptable to it for such an agreement which could be used as basis for final settlement.

BERLE

811.5017/10-1345 : Telegram

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

WASHINGTON, October 13, 1945—11 a. m.

2440. Reference Cale's ⁶⁰ conversation Daniels Oct 11, Emb requested immediately sound out Brazilian authorities on following memorandum of understanding which if approved there and here would be initialled by Souza Costa and Berle:

"In view of the fact that the present world supply of coffee is believed to be adequate to meet world demand and in view of the desirability of establishing conditions such that coffee prices are determined by normal market forces as free as possible from govt controls or speculative activity, it is understood that:

1. The Govt of the US will take immediate steps to suspend maximum prices for green and roasted coffee.

2. The Govt of Brazil, immediately upon the suspension of US maximum coffee prices, will, for a period of at least one year or until such maximum coffee prices may be reinstituted,

a. Suspend the operation of minimum export prices on coffee;

b. Not increase current export taxes on coffee by more than 5 cents per bag.

c. Not take any action, other than that provided in paragraph 2*d*, to prevent coffee producers or the coffee trade from selling coffee at prices that may prevail in the market.

d. Use such coffee as may be owned or controlled by the Government to prevent an unwarranted price advance following the suspension of US ceiling prices.

⁶⁰ Edward G. Cale, Associate Chief, Commodities Division.

3. In fulfilling its commitment under paragraph 2*d*, it is understood that:

a. The Brazilian Govt, through offering for sale coffee it may own or control, up to a total of 7,000,000 bags if necessary, will assure the sale of coffees to the US market in the following quantities and in the following manner:

- (1) One million bags for shipment from Brazilian ports each month from Nov 1945 through June 1946, inclusive;
- (2) All such coffees to be offered through the regular channels of trade;
- (3) The Brazilian Govt will stand ready to offer coffee up to a maximum of a million bags for shipment during any one month, to all buyers at prices which will permit resale in the US at prices that are not more than 3 cents per pound above the equivalent of present OPA price ceilings for the grades in question.
- (4) These sales by the Brazilian Govt will be supplementary to sales by private sources. Sales by both govt and private sources will be large enough to assure shipments of one million bags a month as specified in 1 (one) above.
- (5) The type and quality of coffee offered by the Brazilian Govt to be suitable for the US market.

b. The Brazilian Govt may use coffee now pledged as collateral for loans in carrying out the commitment in the foregoing numbered paragraph, it being understood that in so doing all steps necessary to protect the investors rights and interests in such collateral will be taken.

c. Nothing in the foregoing paragraphs shall obligate the Brazilian Govt to sell coffee at prices less than the equivalent of the present Office of Price Administration price ceilings for the relevant grades of coffee.

d. The Govt of Colombia will be requested by the Govt of the US to subscribe to a memorandum similar to the present memorandum, except that the provisions of paragraph 3 will be omitted. The commitments in the two memoranda will become effective as soon as they both have been signed.

4. The delegates of Brazil and the US will support the approval of a resolution by the Inter-American Coffee Board recommending to the producing countries that are signatories of the Agreement the adoption of a course of action similar to that contained in paragraph 2 (two) above."

Colombian Govt has already been approached through delegate to Coffee Board regarding memorandum mentioned in paragraph 3*d* and its reply is awaited.

Brazilian commitment under paragraph 3, *a*, *b* and *c*, would mean that Govt stocks would be used only to extent necessary to assure sale and shipment from both Govt and private sources of 1,000,000 bags of Brazilian coffee monthly. Limitation to 3 cents above present ceilings would apply only to sales made by Govt but it is anticipated that

public announcement would be made probably here that Govt was prepared to sell coffee at such prices to assure supplies.

Deptel 2321, Sept. 26.⁶³ Reference paragraph 3*b* above, it is suggested that Ambassador interest himself personally in way in which Brazilian Govt proposes to release collateral coffee and product bond-holders in view some doubts here. His comments to Dept would be appreciated.

Friele⁶² has offered to telephone Suliroz Lima, Secretary to Vargas, if you believe this would help negotiations. Please advise.

Believe foregoing proposal is eminently fair to producing countries and that consideration should be given to publicizing it in event it is rejected. Please advise.

Please report soonest possible.

BYRNES

811.5017/10-1845 : Telegram

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

RIO DE JANEIRO, October 18, 1945—5 p. m.

[Received October 19—1:23 a. m.]

3175. ReEmbstel 3149, Oct. 15, 5 p. m.⁶³ This afternoon Daniels sought interview with Souza Costa and delivered verbatim copy memorandum transmitted Deptstel 2440, Oct. 13, 11 a. m. Souza Costa had no time this afternoon to discuss details of coffee proposal or suggest possible amendments thereto but expressed desire to study proposal and discuss it further probably next day or two. Daniels said matter should be considered promptly particularly since Dept. desired to give publicity to its position next Monday. Pending further developments Embassy recommends no publicity be given current negotiations and that in any event Embassy be consulted before any official information regarding current proposal is released.

BERLE

811.5017/10-1845 : Telegram

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

WASHINGTON, October 18, 1945—7 p. m.

2469. For Daniels from Sellon.⁶⁴ Reference telephone conversation Oct. 17.

We expect greatest rising price pressure in coffee in period immediately after ceilings are suspended here and in winter months before

⁶² Berent Friele, President of American Coffee Corporation.

⁶³ Not printed.

⁶⁴ Perry K. Sellon, commodity specialist in the Commodities Division.

next Brazilian crop can be accurately estimated. Therefore, both Dept. and OPA consider it essential Brazilian Govt. agree stand ready sell substantial quantities next few months. Prefer commitment to sell up to million bags monthly during November–March inclusive on basis 5,000,000 bags available. However, believe it would be agreeable here if commitment were for 750,000 bags a month during Nov.–Mar. 500,000 each for April and May and 250,000 June. Lower figures than above thought by OPA impractical to accomplish purpose.

Strongest price pressure of govt. coffee on market must be exerted Nov.–Mar. and particularly early this period. This means govt. sales assurances during this period must be large enough influence market. It should be made clear to Souza Costa that OPA is prepared to re-establish ceilings in case of undue advance in average retail coffee price here after ceiling suspension. If pressed, Daniels may indicate that undue advance means about 5 cents a pound.

If above proposals or reasonable variations cannot be agreed to in principle by Souza Costa by October 22, suggest that Emb intimate that proposals will be withdrawn and publicized. Situation here such that further delays would be most unfortunate.

In paragraph 3.a.3 of memorandum of understanding ⁶⁵ insert “from the first day of each month” after word “ready”.

Colombia ready now sign its portion of memorandum. [Sellon.]

BYRNES

832.5017/10–2245 : Telegram

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

WASHINGTON, October 22, 1945—6 p. m.

2490. For Daniels from Sellon. Hope you get favorable reply Souza Costa by Wednesday. However, Dept and OPA agree that, if no agreement in principle can be reached by close of business Thursday October 25 or if no reasonable counter proposal is made by that time, our proposal should be withdrawn at that time. Daniels is instructed to make best possible bargaining use of this fact in talking with Souza Costa.

If it is necessary to withdraw our proposal at close Thursday, our present plan is to write letter immediately to Coffee Board indicating steps Dept has taken to try to arrange price stabilization plan and indicating we believe it was equitable proposal. This would be read to Board but not be made available for publication in any way. [Sellon.]

BYRNES

⁶⁵ See telegram 2440, October 13, 11 a. m., to Rio de Janeiro, p. 694.

832.61333/10-2445 : Telegram

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

RIO DE JANEIRO, October 24, 1945—8 p. m.

[Received 8:14 p. m.]

3218. ReDeptel 2490, October 22, 6 p. m. This afternoon coffee proposal discussed with Souza Costa and DNC (Departamento Nacional de Cafe) officials. Minister expressed general approval of Dept's proposal with following exceptions; total amount which DNC (Departamento Nacional de Cafe) can guarantee to offer for sale at conditions stated 4 million bags; sale to be made at price 5 cents in advance of existing ceilings instead of 3 cents; commitment to assure monthly shipments of 1 million bags to last until next July, but Brazilian Govt. committed to sell not more than 500,000 bags per month (because of practical limitations of transport etc.).

This proposal involves redrafting clause 3.a.3 of Dept.'s memorandum to read that in any month DNC (Departamento Nacional de Cafe) will offer within 15 days amount of coffee to make up any deficiency in attaining million bag shipment for previous month (subject to aforesaid limitation of 500,000 bags).

Embassy believes that there is merit in Brazilian contention that they cannot responsibly guarantee an amount in excess of 4 million bags of types and qualities suitable to American market and, therefore, this figure should be accepted.

In sum, complete agreement is now in sight subject only to Brazilian desire to have no commitment to sell Govt. coffee stocks at price less than 5 cents in advance of ceilings. Recent quotations are at around this figure, and Souza Costa said in semi-joking manner that he would be shot if he sold Govt. stocks at 2 cents under existing quotations at present. Further meetings with Souza Costa scheduled for 11:30 tomorrow morning and further effort will be made to obtain agreement at 3 cents above ceiling. Since this is not deemed probable, recommend Dept. defer writing letter to Coffee Board until exact text of proposal is available in form actually agreed to with sole exception of price of sale of Govt. coffee. It should be possible to cable this text tomorrow afternoon.

BERLE

811.5017/10-2545 : Telegram

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

RIO DE JANEIRO, October 25, 1945.

[Received October 25—8:40 p. m.]

3225. Further conversation this morning between Souza Costa and DNC (Departamento Nacional de Cafe) officials and Daniels and

Green ⁶⁶ on current coffee proposals. Full agreement reached on following text of proposed agreement:

Same text as memorandum transmitted in Department's telegram 2440, October 13, 10 [11] a. m., from beginning through section 2. Section 3 reads as follows:

"3. In fulfilling its commitment under paragraph 2(d) it is understood that:

(a) The Brazilian Government through offering for sale coffee it may own or control, up to a total of 4 million bags if necessary, will assure the sale of coffee to the United States market in the following quantities and in the following manner:

1) One million bags for shipment from Brazilian ports each month from November 1945 through June 1946 inclusive;

2) If it is found that in the month of November exports of Brazilian coffee for the United States should not reach 1 million bags, the Brazilian Government will offer for sale, in the first half of the month of December, coffees up to the amount necessary to make up the deficit for the month of November, up to the limit of 500,000 bags, at prices which will permit resale in the United States at prices that are not more than blank cents per pound above the equivalent of present OPA price ceilings for the grades in question;

3) In the first half of the month of January and of the following months the Brazilian Government will follow the same procedure, offering for sale coffees in the amount necessary to make up any deficit in the normal exportation for the previous month, in the same conditions as provided above, with respect to both the limit of 500,000 bags and the stated price. Any deficit in the normal exportation for the month of June 1946 shall be made up in the month of July following, in the same conditions hereby established;

4) Any amounts sold or shipped by the Brazilian Government under procedure set forth above shall not be counted as part of the normal exportation for the purpose of calculating the 1 million bags. For the same reason any surplus of the normal exportations above the total of 1 million bags in any given month shall be credited to the exports of the following month for the purpose of calculating the normal exportation of that month;

5) All such coffees are to be offered through the regular channels of trade;

6) The type and quality of coffee offered by the Brazilian Government are to be suitable for the United States market;

b) If in the discharge of these commitments, the Brazilian Government sells coffee now pledged as collateral for loans, it is understood that in so doing all steps necessary to protect the inventory rights and interests in such collateral will be taken;

c) Nothing in the foregoing paragraphs shall obligate the Brazilian Government to sell coffee at prices less than the equivalent of the present OPA price ceilings for the relevant grades of coffee, plus blank cents."

⁶⁶ David S. Green, Senior Economic Analyst in the Embassy in Brazil.

Sections 3*d* and 4 same as in Department's memorandum. Foregoing complete text of proposed agreement, with exception of blanks for prices at which Government stocks would be sold.

BERLE

811.5017/10-2545 : Telegram

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

WASHINGTON, November 14, 1945—5 p. m.

2609. Extensive and the most serious consideration at highest levels has been given to Urtel 3225, Oct 25 transmitting the Brazilian counter-proposal to conditional offer made in Deptel 2440, Oct 13 concerning coffee. After extensive deliberation this morning in Judge Collett's⁶⁷ office with several Cabinet members participating, it was decided necessary to instruct you to inform appropriate Brazilian authorities we must reject their counter-proposal. The counter-proposal, of course, constituted a rejection of our earlier conditional proposal and it is not possible at this time to repeat that offer.

For your secret information, it is likely that a solution to the coffee price problem will be forthcoming within a few days but this will have to be in the light of all facts on unilateral basis on our part and cannot be as generous as Brazil hopes. However, in your conversations with the Brazilian authorities, it is preferable that you limit yourself to saying the matter is still being considered at the highest levels here and that, while no assurances can be given, you are still hopeful that something can be done.

BYRNES

811.5017/11-2145 : Telegram

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

RIO DE JANEIRO, November 21, 1945—7 p. m.

[Received November 21—6:43 p. m.]

3494. ReDepcirtel November 20.⁶⁸ Reaction in Brazilian coffee circles unfavorable to recent decision on coffee ceiling price announcement November 17 by Judge Collett. Dissatisfaction stems from two major causes:

(1) Speculative interests who have been hoping and largely discounting 5¢ increase in ceilings if not complete elimination; and (2) disappointment that price controls were still to be continued with all attendant trade evils and administrative complexities. Many traders

⁶⁷ Judge J. C. Collett, Director, Office of Economic Stabilization.

⁶⁸ *Ante*, p. 364.

have expressed view that step taken will not be effective in assuring adequate coffee supplies for US market during coming months. Santos coffee market has declined since announcement around 1½¢ per pound, but some major exporters report inability today to buy coffee at ceiling prices plus 3¢. President DNC (Departamento Nacional de Cafe) has issued temperate statement commenting on decision (full text by air) pointing out Brazilian desire for elimination rather than increase of ceilings, and possibility of assuring supplies to US under present conditions.

BERLE

832.61333/12-2145 : Airgram

The Vice Consul at São Paulo (Welch) to the Secretary of State

SÃO PAULO, December 21, 1945.

[Received January 4, 1946—9:14 a. m.]

A-213. Coffee prices in Santos continued to decline. On December 21 direct deliveries for December, January-June, July-December, were Cr.\$58 per kilos as compared with Cr.\$59.50 a week earlier. The decline in price has been brought about by less demand in the United States. Exporters are offering coffee under ceiling prices but are finding no buyers in the States. Reported in Santos U.S. has bought 4,000,000 bags under the 3-cent subsidy program of which 2,000,000 are Brazilian coffees. Belgium reported purchased 25,000 bags type 4 coffee for 40 points over ceiling price. At present buying at 10 points under ceiling. Norway and Denmark have made inquiries but have not purchased since prices have apparently gone down. Santos exporters believe holders are selling coffee because the Cr.\$65.00 Brazilian subsidy will not apply to next year's crop.

WELCH

DISCUSSIONS CONCERNING THE EXTENSION OF THE RUBBER AGREEMENTS⁶⁹

832.6176/4-1045 : Telegram

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

RIO DE JANEIRO, April 10, 1945—7 p. m.

[Received 10:28 p. m.]

1111. McLaughlin of Rubber Development has had further conversation with Bouças⁷⁰ regarding program of immigration to Amazon

⁶⁹ For previous documentation relating to rubber problems, see *Foreign Relations*, 1944, vol. VII, pp. 603 ff.

⁷⁰ Valentim Bouças, President of the Commission for the Control of the Washington Agreements.

rubber region. It will be recalled that Rubber Development felt that the experiment had not been too successful and should be terminated but proposed to taper it off gradually feeling that this would be agreeable to Brazilian Government.

McLaughlin's recent conversation with Bouças however indicates that the Brazilian Government itself has doubts as to the wisdom of moving more men from Ceara into the rubber region, and apparently would be agreeable to an arrangement ending the program now. McLaughlin recommends this and I agree.

BERLE

810.6176/4-1045 : Telegram

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

RIO DE JANEIRO, April 10, 1945—7 p. m.

[Received April 11—1:22 a. m.]

1112. For Rockefeller and Clayton.⁷¹ Bouças tells McLaughlin that he has a directive from President Vargas to discuss the establishment of a token quota of Brazilian tire casings for Argentina. It will be recalled that heretofore Brazil in conjunction with Rubber Development Corporation makes up quotas for the other South American countries and that Argentina heretofore has been excluded. The Brazilian point of view is that since Argentina has now been recognized⁷² she is entitled to a quota like other countries. The Department's views on this are urgently sought. Rubber Development here makes certain points, all important, namely:

1. Argentina now has 250 tons Bolivian rubber, probably 100 tons Bolivian rubber smuggled, also an undetermined amount smuggled from Brazil. Only other source is the proposed token quota.

2. Argentina has not synthetic rubber while United States seems to have ample supplies for export. Simplest way of keeping down Argentine consumption of natural rubber or casings would be the shipment of synthetic from the United States and requirement that synthetic be used. This would have the added effect of breaking the extravagant black market price for rubber prevailing in Argentina which of course attracts smuggling. Result might therefore be to make additional natural crude rubber available here. A question of political policy is raised and I do not know whether Department considers Argentina integrated into the American system now that she should share in the continental supplies, and am not prepared to recommend that we should take this view. The Brazilian Government's point of view, however, must be taken into consideration. On the

⁷¹ Nelson A. Rockefeller and William L. Clayton, Assistant Secretaries of State.

⁷² For documentation concerning recognition of the Argentine regime by the United States, see pp. 366 ff.

assumption that Argentina does have to share in the American rubber McLaughlin's points seem to me very well taken.

Department no doubt has in mind the necessities and extreme difficulties of a control system in Argentina.

BERLE

810.6176/4-1045 : Telegram

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

WASHINGTON, April 18, 1945—1 p. m.

991. ReEmbs 1112, April 10. Department, RDC⁷³ and other interested agencies are now considering in detail possible arrangements for the inclusion of Argentina within the control and quota system covering rubber products, rubber substitutes and rubber. Please assure the Foreign Minister⁷⁴ that we are giving prompt and earnest attention to this problem, that we believe that an overall solution to the numerous questions involved, even if it may require a 2- or 3-week delay, is more desirable than an immediate partial solution, and that we firmly intend to discuss in advance with Brazil any procedure suggested before discussions are initiated with Argentina, to the end that such procedure may be correlated with quota and control plans now in existence.

STETTINIUS

810.6176/4-1945 : Telegram

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

WASHINGTON, April 19, 1945—7 p. m.

1002. Francis A. Truslow, President of RDC, left Washington by air on 17th, expecting to arrive Rio de Janeiro afternoon of 20th, to initiate discussion with Brazilian authorities on procedures for integrating Argentina into the rubber and rubber product quota and supply system of the American Republics.

He plans to seek Brazilian consent to the shipment from Brazil to Argentina of minimum annual quantities of natural rubber, perhaps 250 tons, which would be in addition to the 250 tons Argentina receives annually from Bolivia, and to the shipment from the United States to Argentina of synthetic rubber in the amounts necessary to be used with the total natural rubber available to Argentina. He is prepared, if necessary, to agree to the early shipment of a small quantity of Brazilian tires to Argentina to meet Argentine needs until tire production from the above mentioned raw materials starts.

⁷³ Rubber Development Corporation.

⁷⁴ Macedo Soares, Acting Minister for Foreign Affairs.

It is hoped that Truslow will be able to obtain Brazilian consent to shipments from Belem to Buenos Aires by RDC, but it may be necessary to permit the shipments to be made by Brazil. In any event, it is hoped that the selling price to Argentina will accord with the schedule of prices applicable in sales of rubber by Brazil to RDC.

The quantities mentioned are, of course, tentative since final determination of the amounts to be discussed subsequently with Argentina can be made only after the Brazilian reaction to the proposed scheme is assessed. The entire scheme will, of course, be subject to such amendments as may prove in discussions with Brazil and Argentina to be necessary.

Following the conclusion of his discussions in Rio de Janeiro, Truslow will proceed to Buenos Aires to assist American authorities there in connection with discussions with the Argentine authorities.

It will be absolutely essential that the Argentine Government pledge itself to take effective steps in the conservation of rubber and in control of rubber trade and manufacturing, limiting permissible manufacture as nearly as possible to the range of products embodied in Rubber Order R-1 amended. As regards component raw materials other than natural and synthetic rubber, the United States authorities can only assure Argentina that they will use their best efforts to assure minimum essential supplies, since carbon black, tire cord and fabric etc. are in extremely short supply and under the strictest international allocation.

The Embassy is requested, if it perceives no serious objection, to lend Truslow every assistance in reaching a speedy and mutually satisfactory conclusion within the above framework in the discussions with the Brazilian authorities. Any substantial alterations should be referred to Washington for appropriate clearance.

Sent to Rio de Janeiro; repeated to Buenos Aires and La Paz for information.

STETTINIUS

102.8951 : Telegram

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

WASHINGTON, April 19, 1945.

1000. For Rubber Development, McLaughlin, from Truslow. RDC rubber agreement with Brazil terminates December 31, 1946.⁷⁵ The

⁷⁵ For text, see telegram 640, March 13, 1942, 7 p. m., to Rio de Janeiro, *Foreign Relations*, 1942, vol. v, p. 692.

price premium agreement terminates March 31, 1946.⁷⁶ The following important collateral agreements terminate December 31, 1946: tire and tube agreement,⁷⁷ synthetic agreement,⁷⁸ air agreement.⁷⁹

In order to obtain maximum production and conservation of natural rubber in Brazil and to insure that all export rubber will be available for emergencies of war during next two rubber seasons, RDC is prepared to extend rubber agreement, premium agreement and named collateral agreements to June 30, 1947.

Such extension will assure producers market on present terms for full production in season commencing June, 1946 and permit increased production plans during coming 1945-46 season.

You are authorized with assistance of Embassy to conclude at once extensions of these agreements to June 30, 1947 without other change in present provisions. An offer to effect such extensions should be made to the Government of Brazil promptly. Such proposals should be made unconditionally, that is to say, no attempt should be made to obtain settlements of any pending or other matters as a condition to such extensions. Likewise you are not authorized to accept extension of rubber agreement unless other agreements are also extended nor to accept changes in these agreements as a condition to Brazil's acceptance of such extensions.

The sole objective is the prompt extension of present terms of the rubber agreement, premium agreement, and named collateral agreements to June 30, 1947 to insure maximum rubber procurement during the next two seasons.

Please keep Washington office currently advised of progress in securing extensions.

As soon as formal official notes are exchanged accomplishing extensions wide publicity should be given by Brazil in all rubber areas to furnish producers information on which to develop plans for next two seasons.

A similar proposal is being presented to each other American country participating in rubber program. [Truslow.]

STETTINIUS

⁷⁶ For text, see airgram A-105, January 28, 1944, 12:40 p. m., to Rio de Janeiro, *ibid.*, 1944, vol. VII, p. 603.

⁷⁷ For substance of this agreement, see *ibid.*, 1942, vol. V, p. 719, footnote 87.

⁷⁸ For text, see note 2352, December 22, 1944, from the American Chargé in Brazil to the Brazilian Acting Minister for Foreign Affairs, *ibid.*, 1944, vol. VII, p. 615.

⁷⁹ Approved November 19, 1943, not printed.

810.6176/4-2445 : Telegram

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

RIO DE JANEIRO, April 24, 1945—3 p. m.

[Received 6:27 p. m.]

1268. Over the week-end Truslow of the Rubber Development Corporation conferred with Bouças, and I with the Acting Minister of Foreign Affairs, Dr. Macedo Soares, regarding prospective Argentine arrangements. It was evident from the beginning that the Brazilian Government would resent any dealing with the Argentine Government to which they were not also a party—which is not unnatural since the immediate subject matter relates to handling of a Joint Rubber Control to which our two Governments have been parties.

In result Rubber Development Corporation and the Brazilian Rubber authorities agreed on a program which appears to be acceptable to the Foreign Office and should be cleared today with President Vargas. This will be formalized by a brief exchange of notes between the Embassy and the Foreign Office after which Truslow and Silveira⁸¹ will leave for Buenos Aires tomorrow morning.

The substance of the agreement follows the lines of my earlier telegram on this subject. Truslow is reporting fully on technical aspects to RDC and copies of the documents will be forwarded by airmail. In general, I believe that:

1. No additional rubber need be given to Argentina. She will get enough advantage out of the synthetic rubber which we can supply and which will enable her to increase her supplies by mixing with crude rubber.

2. Since there will be an interim period of about 4 months before she can change over her production, a limited number of tires must be supplied from here, the Brazilian and American experts agree that about 5,000 should be enough. This will probably be the subject of further bargaining in Argentina.

3. The Brazilian Foreign Office feels as I do that Argentina is more interested in rubber than in anything else. Therefore, a rubber agreement should not be made until Argentina has agreed on all of the other matters which may be in issue.⁸² We are assuming that McClintock⁸³ has the full list of topics in Buenos Aires. If Argentina gets her rubber she probably can and will be pretty independent about other matters.

4. All conversations with Argentina are, of course, subject to approval by Washington and Rio.

⁸¹ Presumably Mario Moreira de Silva, chief economic specialist of the Brazilian Ministry for Foreign Affairs.

⁸² For documentation on problems connected with deterioration of relations between the United States and Argentina, see pp. 366 ff.

⁸³ John McClintock, Special Assistant to Assistant Secretary of State Rockefeller.

In the course of these conversations, the RDC wished to extend the rubber agreement for another year, which has been agreed and the Brazilians wished a "token" shipment of Brazil nuts—which the RDC has likewise reluctantly agreed to.

I am happy to say that the conversations have been on the frankest and most friendly basis and the result seems to be about as good as can be expected thus far. Of course, we have not yet met the Argentines.

BERLE

[An agreement on rubber and rubber products between the United States, Argentina, and Brazil was signed at Buenos Aires, May 2, 1945; for text, see Department of State, Treaties and Other International Acts Series No. 1542, or 60 Stat. (pt. 2) 1821.]

102.8951 : Telegram

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

RIO DE JANEIRO, May 14, 1945—7 p. m.

[Received 11:22 p. m.]

1520. For Truslow and Utz,⁸⁴ RDC, from McLaughlin and Korkegi.⁸⁵ Extension rubber agreement not yet signed. Bouças holding up as trading point in obtaining further concessions Brazil nuts. We expect he will make his Brazil nut position clear tomorrow. I pointed out that if his Brazil nut position is unacceptable RDC and Department may find it necessary to review rubber agreement extension offer. [McLaughlin and Korkegi.]

BERLE

832.6176/8-1445 : Telegram

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

WASHINGTON, August 14, 1945—3 p. m.

1996. McLaughlin from Utz. Reourtel April 19, 1945.⁸⁶ For obvious reasons,⁸⁷ you are hereby instructed to inform appropriate Brazilian governmental authorities, through the Embassy, that the offer heretofore made on behalf of Rubber Development Corporation to extend

⁸⁴ F. W. Utz, Executive Vice President of the Rubber Development Corporation.

⁸⁵ Harri J. Korkegi, representative of the Rubber Development Corporation in Brazil.

⁸⁶ Telegram 1000, p. 704.

⁸⁷ Reference is presumably to fact that Japan had accepted surrender terms on August 14, thus terminating hostilities of World War II.

rubber agreement, price premium agreement, and other collateral agreements to June 30, 1947, is withdrawn, effective immediately. [Utz.]

For Emb from Dept. Dept concurs in foregoing. Emb is requested to assist RDC in withdrawing offer to extend rubber agreements.

BYRNES

832.6176/8-1545 : Telegram

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

RIO DE JANEIRO, August 15, 1945—noon.

2558. For Department and Utz, RDC, from the Ambassador and McLaughlin. Your telegram 1996, August 14. This refers to instruction from RDC to McLaughlin directing him not to go through with offer made on behalf of RDC to extend rubber agreement.

Offer made by RDC to extend agreement for 6 months has already been accepted by Brazilian Government in all respects, and the extension is thus completed. Under circumstances Department's instruction cannot be carried out.

We will canvass situation with Brazilian Government with view to handling extension as terminal arrangement, but Brazilian Government's action has been taken on basis of extended agreement and they can of course hold us to this. [Berle and McLaughlin.]

BERLE

103.9151/8-2045 : Circular telegram

The Secretary of State to Diplomatic and Consular Officers in the American Republics

WASHINGTON, August 20, 1945—8 a. m.

For RDC Special Representative from Truslow. We repeat the expressions of appreciation sent on the eve of victory. Please advise your organization and be guided by the following:

1. Only after consultation with you in Washington, plans will be developed during the next 30 days for the work of the corporation in your area.

2. In developing plans for the future of Rubber Development Corporation all commitments which have been made in the rubber program will of course be scrupulously carried out.

3. Until plans are clarified the work is to go on without change except that no loans to new producers or in new areas should be approved and no new measures for the encouragement of rubber production beyond those already approved should be undertaken.

4. The development and execution of plans for the balance of the program is part of the job and the directors rely on the continued

assistance of you and your organization at your posts in the field while plans are being formulated.

[Truslow]
BYRNES

810.6176/8-2345 : Telegram

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

RIO DE JANEIRO, August 23, 1945—2 p. m.

[Received 8 p. m.]

2626. For Department and RDC from the Ambassador and Korkegi. Embassy and Rubber Development Corporation are appreciative of Department's telegram 2037, August 21.⁸⁸ Before proceeding definitely we make following comments and would like Rubber Development Corporation reaction :

(1) Cancellation of synthetic agreement. This leaves synthetic stocks of approximately \$1,200,000 in the country. It is not unlikely Brazilian manufacturers would use this since it is presently cheaper than natural rubber. On the other hand Brazilian Government might prefer to return to use Brazilian natural rubber. In our view it does not make much difference though financial advantage would lie in latter course since increased use of natural rubber accompanied by production which will probably diminish relieves us of obligation to buy high priced Brazilian natural rubber. Synthetic would then have to be liquidated elsewhere. Possible loss on synthetic would at least be balanced by possible savings on natural.

(2) Cancellation of tire and tube agreement. Rubber Development Corporation is obligated to deliver through third quarter some 60,000 tires and has 17,000 on hand. Cancellation thus puts Rubber Development Corporation in short stock position. Soundness of this depends on whether Rubber Development Corporation is able to cover these requirements in US or knows that tires will be available at same or lower prices from other countries. From Brazilian point of view she has market guaranteed by Rubber Development Corporation for these tires through June 1947. Possibly opening castanha, oil and gum markets would be adequate *quid pro quo*.

We will proceed on this basis but would like to know Rubber Development Corporation is able to handle short tire position especially in immediate future. It does not follow Brazil would undertake to handle export requirements of other Latin countries since Argentina has already indicated strong desire for purchase of tires in quantities making it impossible to supply other Latin quotas. On Bolivian and Argentine borders ordinary tires are selling for any price from \$150 up and immediate effect would be to increase this inflation unless im-

⁸⁸ Not printed.

mediate shipments from US, Canada or other countries are contemplated.

Finally Argentine situation must be considered. Unlocking tire agreement undoubtedly will mean immediate sale of tires by Brazil to Argentine at very handsome price without reference other Latin requirements. Are Department and Rubber Development Corporation, bearing in mind political as well as economic considerations, prepared to authorize this? Urgent answer requested. [Berle and Korkegi.]

BERLE

832.6176/9-2245 : Telegram

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

RIO DE JANEIRO, September 22, 1945.

[Received September 22—6:13 p. m.]

2938. Brazilian FonOff is proposing to cancel tire and tube purchase agreement prevailing between Brazil and US. They are also proposing thereafter to enter arrangement to sell some 60,000 tires to Argentina at rate of 5,000 tires per month. In respect of this last of course they have not consulted us nor indeed are they bound to do so since, once tire and tube agreement is cancelled, they are free to do what they choose.

Department will recall that RDC believes it is to its best interest to cancel this agreement. Department will likewise recall that Embassy and McLaughlin, RDC, consulted both Department and Braden⁸⁹ pointing out that cancellation of agreement would permit sales to Argentina, and that such sales undoubtedly would take place, and asking whether in view of this fact and Argentine situation, Embassy and RDC should delay termination tire agreement and thereby prevent Argentina from receiving tires. Answer both from Braden and Department was that there was no political objection to termination tire and tube agreement. Under these circumstances we informed FonOff that we were prepared to cancel tire agreement and that their sales to Argentina thereafter were strictly Brazilian business and not ours.

We are presently advised that Brazilian FonOff is proceeding along these lines, namely, cancellation of tire agreement with US and thereafter sale of tires to Argentina, of course without our intervention. Bouças is worried about this and raises question whether we ought not to maintain tire agreement.

Embassy and RDC are bound by previous instructions. We now

⁸⁹ Spruille Braden, Ambassador in Argentina, left Buenos Aires, on September 23, 1945, to assume his new duties as Assistant Secretary of State.

ask whether Department sees reason to change them.⁹⁰ Obviously all other countries are free to ship tires to Argentina and maintaining agreement solely to prevent Brazilian shipment is not very effective gesture of economic sanctions. Ambassador thinks that Argentine situation is now not going to solve itself on minor issue like rubber tires though if maintenance of tire agreement would assist in solution he is quite prepared to change the line.

BERLE

832.24/10-245 : Telegram

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

RIO DE JANEIRO, October 2, 1945—7 p. m.

[Received October 3—1 : 38 a. m.]

3033. Alleging acute transportation situation, Argentine threatens suspension wheat shipments to Brazil unless latter makes available immediately tires and coal. We have taken stand that Brazil should not ship tires unless willing to cancel tire and synthetic rubber agreements. President Vargas recently mentioned to me that two Argentine vessels had already left for Brazil empty of wheat. According to local trade wheat stocks, Argentine ports are so depleted that compliance on part of Brazil would not insure wheat supply November and December. Regardless real situation Argentina, Brazil should not be held up in this way. It is also most important that a wheat shortage not become an electoral campaign issue. Understand Argentine wheat exports to Brazil have been averaging 100,000 tons monthly.

Urgently request Department explore and inform me as to possibility Brazil obtaining US wheat at reasonable price.

BERLE

832.6176/10-445 : Telegram

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

RIO DE JANEIRO, October 4, 1945—11 a. m.

[Received 4 : 20 p. m.]

3046. The following telegram has been sent to Buenos Aires.

This Embassy has received copy of Buenos Aires despatch No. 908 dated September 28, 1945 to Dept.⁹¹

Facts are that US has offered to cancel tire and synthetic rubber agreement with Brazil which, of course, will leave Brazil free to sell tires anywhere including Argentina. Brazil, however, feels that she does not want to do that at this time.

⁹⁰ In telegram 2316, September 25, 5 p. m., the Department declined to change its position (832.6176/9-2245).

⁹¹ Not printed.

While agreement continues in existence all of Brazil's surplus production is already allocated to other countries.

We are still studying resulting situation here.

Repeated to Washington.

BERLE

832.6176/11-145 : Telegram

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

RIO DE JANEIRO, November 1, 1945—6 p. m.

[Received 9:08 p. m.]

3321. Embassy has submitted to Foreign Office formal draft of its proposed notes regarding cancellation of tire and synthetic rubber agreements. Although substance of these notes had been accepted by Commission for Control of Washington Agreements,⁹² Minister of Finance and President Vargas, Foreign Office now anticipates a delay in exchange of notes owing to change in the Government. As a precautionary measure Foreign Office wishes to refer entire matter to the newly designated Minister of Finance⁹³ and to President Linhares⁹⁴ for their approval. New administration apparently regards with suspicion the acts of the Vargas administration during its last days. Unfortunately, our understanding on rubber and decree pursuant thereto were approved during closing hours of Vargas' regime. Notwithstanding that no substantive objection to text of proposed notes is anticipated, a delay which may last several days or several weeks must be expected, owing to the confusion and the heavy agenda confronting the new Government. We are pressing for early action and have proposed that the notes be dated November 1 even though exchange cannot take place until later date. Text of draft notes being forwarded by despatch. Please inform RDC.

BERLE

832.6176/11-1645 : Telegram

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

RIO DE JANEIRO, November 16, 1945—6 p. m.

[Received 11:29 p. m.]

3437. Notes were exchanged November 14 between Embassy and FonOff terminating tire and tube agreement and looking towards liquidation of other agreements in conformity with arrangement

⁹² Brazilian Government instrumentality established to apply the numerous commodity agreements between the United States and Brazil.

⁹³ José Peris do Rio.

⁹⁴ On October 30, 1945, President Vargas turned over the executive power to the President of the Supreme Court, José Linhares.

reached between RDC and Bouças. Copies of notes are going forward by pouch.⁹⁵

BERLE

832.24/12-545 : Telegram

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

WASHINGTON, December 5, 1945—5 p. m.

2711. ReEmb's 3558, November 30.⁹⁶ Dept is concerned that negotiations of Brazil to secure wheat from Argentina have reached impasse in view of fact emphasized in Dept's 2450 of October 15⁹⁷ that wheat sent to Brazil from US would have to be subtracted from amounts programmed to liberated areas. Oil and coal are now going to Argentina in considerable amounts and Dept has under consideration means for making available as speedily as possible truck tires without provision of which Emb Buenos Aires declares wheat stocks in Argentina "literally cannot be moved". Since it is expected provision of these tires will make possible export of wheat from Argentina, it does not appear realistic to make any specific determination at this time regarding shipments of wheat to be made 1946. Furthermore programming is on month to month basis. Program of shipment for December has already been worked out but that for January will be considered at a later date when attention will be given to needs of Brazil along with those of other claimants.

With regard urgent need for flour to be shipped in December for consumption in Brazil during January, attention of Emb is called to fact reported by Agri that Brazilian purchases of US wheat flour during November alone totalled 911,800 cwt. (45,590 short tons) or almost 50 percent more than sum of purchases made 6 months May to October. In addition Brazil has been purchasing considerable amounts of flour milled from other than US wheat (i.e. Canadian) for shipment from US and presumably also for shipment from Canada. Precise information concerning amounts already shipped Brazil being sought from Trade. WSA⁹⁸ reports flour to Brazil being lifted slowly and is quite clear therefore that amounts already purchased and still outstanding for shipment to Brazil are of magnitude to go far toward meeting requirement as given by Emb for shipping in December and consumption in January. 17,000 tons wheat purchased by Brazil for shipment from Galveston reported by WSA to be shipped second week December.

⁹⁶ None printed.

⁹⁷ Not printed.

⁹⁷ Not printed; in it the Department indicated that United States wheat should be shipped to Brazil only as a last resort (832.24/10-1245).

⁹⁸ War Shipping Administration.

Immediate problem one of shipping of flour, since export licenses are not required. United Maritime Authority optimistic regarding possibility prompt assignment additional space flour Brazil but states accepted procedure requires representation by Brazilian Government directly to UMA. Brazilian Emb Washington has been so advised by Dept and will presumably present a statement emphasizing need for assigning additional shipping from pool to carry flour Brazil December.⁹⁹

BYRNES

ATTITUDE OF THE UNITED STATES REGARDING BRAZILIAN TRADE CONTROLS AND TAX MEASURES, WITH SPECIAL REFERENCE TO THE APPLICATION OF THE TRADE AGREEMENT OF 1935¹

632.006/1-245 : Telegram

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

RIO DE JANEIRO, January 2, 1945—8 p. m.

[Received January 3—12:26 a. m.]

15. Velloso² informed me this morning that he had just finished discussing the import control measure with Souza Costa³ in terms of the meeting reported in Embassy's 4574 of December 29, 8 p. m.⁴ He stated that this and my previous conversations with the latter had resulted in a substantial reduction of the list of commodities and that Souza Costa told him that he would further recommend exclusion therefrom all electrical products and all chemical pharmaceutical products. At the same time, Velloso admitted that while they are both in agreement with me in principle and are opposed to the measure, they have no discretion in the matter because President Vargas himself has approved it and has instructed Souza Costa to put it into operation at once.

Velloso remarked that the Ministry of Foreign Affairs looks upon it as a war measure. He added that it appears to be the work of a strong industrial group in Brazil whose influence in Government circles is not unlike that of the cotton group in the United States.

I have informed the President and Directors of the American Chamber of Commerce and they are meeting today with the President of the Associação Commercial with a view to enlisting the cooperation of that organization in minimizing the effects of the proposal.

⁹⁹ In a communication dated December 14, 1945, from the Office of the Brazilian Commercial Counselor in Washington, the intercession of the Department of State was sought to restore the previous level of Argentine wheat to Brazil; for its part, Brazil would offer 10,000 tires to Argentina to relieve transportation stringencies (832.61311/12-1445).

¹ For previous documentation on Brazilian trade control methods, see *Foreign Relations*, 1944, vol. VII, pp. 650 ff.

² Pedro Leão Velloso, Acting Minister for Foreign Affairs.

³ Arthur de Souza Costa, Minister of Finance.

⁴ *Foreign Relations*, 1944, vol. VII, p. 670.

Souza Costa has just informed me that the modified list will be put into effect within a few days.

DONNELLY

632.006/1-245 : Telegram

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

WASHINGTON, January 8, 1945—4 p. m.

68. Reurtel 15, January 2, 1944 [1945]. The Department welcomes the reduction in the number of commodities listed for inclusion in the proposed import control law but remains greatly concerned about its possible effects.

If the Brazilian Government remains firm in its determination to adopt this measure, the Embassy is requested to endeavor to persuade the authorities at least to include in the decree a provision that will clearly identify the control as a war measure, subject to removal at the close of hostilities.

STETTINIUS

632.006/1-2245 : Telegram

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

RIO DE JANEIRO, January 22, 1945—4 p. m.

[Received 9:50 p. m.]

222. Embassy's 104, January 10, 3 p. m.⁵ While I was with Velloso this morning Souza Costa telephoned to inform him that he will modify the import control order in accordance with the Department's desire that it be considered as a temporary war measure. Furthermore that he has reduced the list as reported in the Embassy's telegram 4574, December 29, 8 p. m.⁶ He indicated that the order would be put into effect shortly.

DONNELLY

632.116/1-2345 : Telegram

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

RIO DE JANEIRO, January 23, 1945.

[Received January 24—12:50 a. m.]

242. The text of the Government's announcement of the import license control order as published in this afternoon's papers in Rio de Janeiro follows:

"The Government through the Ministries of Finance and Foreign Affairs issued instructions in an order dated yesterday establishing a

⁵ Not printed.

⁶ *Foreign Relations*, 1944, vol. VII, p. 670.

previous import license control system covering certain imported products to be operative as long as the effects of the war continue in order to assure the maintenance and development of the productive activities of the country making them even more useful to the objectives of the United Nations.

"The order which is signed by the Ministers of Finance and Foreign Affairs expressly provides that this measure is not designed to protect uneconomic industries which can only subsist at the cost of permanent official favors and with prejudice to Brazilian consumers.

"The list of products the importation of which is subject to previous license control includes: precious and semi-precious stones, glass and derivatives, refractory material, pottery manufactures, nonmetallic materials manufactured, and basic ores in general, ferro-alloys, semi-manufactures of iron and steel, and of non-ferrous metals and alloys, steel mill products, and manufactures of iron and steel machinery and equipment in general, except agricultural."

DONNELLY

632.116/1-2345 : Telegram

The Acting Secretary of State to the Ambassador in Brazil (Berle)

WASHINGTON, January 29, 1945—5 p. m.

276. Reurtel 222, January 22, 1945 and 242, January 23, 1945. The Department wishes to express its appreciation to the Embassy staff for its constant efforts to prevent the institution of the Brazilian import license decree, or at least to persuade the authorities to accept a modified version of the decree.

It is not clear from the final paragraph of the second telegram under reference whether any commodities in Schedule I of our trade agreement with Brazil⁷ are included in the controlled items. The Department requests that the Embassy forward, as soon as available, a complete list of the commodities requiring an import license. It is hoped that if any commodities in the list are in the trade agreement the Brazilian Government will, in the case of their being imported from the United States, take appropriate steps to exclude them from the effects of the decree.

GREW

⁷ Agreement signed February 2, 1935, with supplementary agreement signed April 17, 1935; for text, see Department of State Executive Agreement Series No. 82, or 49 Stat. (pt. 2) 3808 and 3834. For documentation regarding ratification of the Agreement, see *Foreign Relations*, 1935, vol. iv, pp. 300 ff.

632.116/1-2945

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

No. 28

RIO DE JANEIRO, January 29, 1945.

[Received February 8.]

Subject: Brazilian Government Establishes New Import Control System.

SIR: With reference to my unrestricted Despatch No. 27 of January 29, 1945,⁸ bearing the above subject, I have the honor to report that the Brazilian Government has definitely established a restricted import control system.

The new order is vague, especially as regards the period during which it will be effective, but also in various other respects, including the provision affecting "Imports that have been contracted for". Likewise, many firms are already in doubt as to whether certain products are included in the list of goods now subject to import license control.

The Embassy was successful in having some important items, such as chemicals, pharmaceuticals, and certain electrical goods removed from the list.

With reference to products, such as those of iron and steel, which are still subject to the Decentralization procedure, and now affected by import license control as well, it is understood that approved Preference Request Recommendations will be accepted in lieu of import licenses.

A mechanical operation which promises to create difficulty is that of reconciling Brazilian import licenses with American export licensing procedure and allocations. This applies particularly to products not requiring the presentation of Preference Request Recommendations. It is quite probable that at times the Brazilian Government will issue import licenses covering products for which the allocations to Brazil are exhausted, or which cannot be licensed for other reasons by American authorities.

The new Order means that "distressed" steel shipments, which have never been subject to Decentralization, and which have been over and above existing iron and steel quotas for Brazil, may no longer be made except upon presentation of import licenses.

It is expected that the present measure will considerably retard exports from the United States to Brazil, and result in less merchandise being received. Delays here in applying for and receiving licenses; in transmitting them to the United States and other coun-

⁸ Not printed.

tries by open mail; in presenting them to Brazilian Consulates before Consular invoices will be certified; and in coordinating them at local customhouses with incoming shipments, may well be great, indeed. The Order will enormously augment paper work on both ends, increase the cost of living, and generally stimulate even greater inflation. These factors were repeatedly brought to the attention of the Ministers of Foreign Affairs and Finance. The Order is most unpopular locally, among both Brazilian and American importers, but it represents a gratifying victory for the Brazilian industrial elements that favor it.

Respectfully yours,

For the Ambassador:
HAROLD S. TEWELL
First Secretary of Embassy

632.116/2-2645

*The American Embassy in Brazil to the Brazilian Ministry for Foreign Affairs*⁹

No. 31

RIO DE JANEIRO, February 24, 1945.

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to Portaria No. 347 issued on February 14, 1945 by the Coordinator of Economic Mobilization, providing, among other things, that all import and export transactions in products subject to the control of the Office of the Coordinator of Economic Mobilization shall be authorized or denied exclusively by the Coordinator in direct agreement with the Carteira de Exportação e Importação of the Bank of Brazil. The Embassy would greatly appreciate a clarification of the scope and objectives of Portaria No. 347, and its relationship to Portaria No. 7 issued jointly by the Ministries of Foreign Affairs and Finance on January 22, 1945, in order that the Embassy may be in a position to reply fully and accurately to inquiries which may be received from governmental or private sources in the United States. It is assumed that it is not the intention of the Government of Brazil, in its administration of these orders, to take steps which would be at variance with the provisions of the Reciprocal Trade Agreement between Brazil and the United States, or which would add additional burdens or impose further barriers to trade between the two countries.

Bearing in mind the considerations set forth in the Embassy's note No. 2341 of December 15, 1944,¹⁰ such assurances and clarifications as the Government of Brazil may be able to give in regard to the foregoing would be greatly appreciated.

⁹ Copy transmitted to the Department in despatch 343, February 26, 1945, from Rio de Janeiro: received March 2.

¹⁰ *Foreign Relations*, 1944, vol. VII, p. 668.

The Embassy takes occasion to thank the Ministry in advance for its courtesy in this matter.

832.512/5-1445

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

No. 1338

RIO DE JANEIRO, May 14, 1945.

[Received May 21.]

Subject: The new Brazilian Consumption Tax Law.

SIR: With reference to previous correspondence on the above-mentioned subject, I have the honor to report, for the information of the Department, the details of a conversation between a member of the Embassy and Mr. Hortencio de Alcantara, Director of Internal Revenue.

Mr. Hortencio pointed out the difficulties encountered in attempting to coordinate the consumption tax law with the Trade Agreement between the United States and Brazil. He stated that if the letter of the agreement were adhered to domestic manufacturers of commodities similar to those listed in Table I would be placed at a disadvantage, since they would be charged higher rates than those applicable to American products. It was mentioned to him that if an over-all solution could not be found without considerable delay, a partial solution might be possible immediately. First by placing goods imported from the United States on an equal footing with those of domestic manufacture, in compliance with paragraph one of article VII of the Agreement. Second by adjusting the tax on those table I commodities which present the least technical difficulties. The remainder could then be left for final over-all solution as rapidly as possible. Care was taken to avoid giving the impression that full compliance with the letter of the Trade Agreement was not expected.

During the conversation the impression was obtained that, while basically the consumption tax is primarily for revenue purposes, Government officials are very sensitive on the question of affording protection to domestic industries. For example, when it was mentioned that most radio receivers normally were imported and that domestic manufacture in the past was dependent upon imported components, immediate interest was aroused in examining the tax status of such components jointly with that of the completed sets, so that the rates on the former could be reduced if such action is taken on the latter.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

632.116/5-1545

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

No. 1353

RIO DE JANEIRO, May 15, 1945.

Subject: Order of the Coordinator of Economic Mobilization Centralizing Decisions on Import and Export Restrictions Covering Commodities Under the Distribution of that Office.

SIR: I have the honor to refer to despatches number 343 of February 26¹¹ and 417 of March 3, 1945, on the above-mentioned subject. With the former there was enclosed a copy of a note addressed to the Foreign Office¹² requesting a clarification of the scope of that Order and its relationship to Order No. 7 which had instituted an import license control system. For details regarding Order No. 7 reference is made to despatch No. 27 of January 29, 1945,¹³ under the subject "Brazilian Government Establishes New Import Control System."

A reply to Note No. 31 has now been received from the Foreign Office, copy and translation of which are enclosed.¹¹ The reply states that both measures controlling imports are of a provisional nature for effect during the war emergency and that they were instituted to maintain and develop production in the interest of the United Nations. It was further clarified that the Orders were not issued to support anti-economic industries, which could only subsist at the cost of permanent official favors and to the prejudice of Brazilian consumers.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

832.512/5-1945

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

No. 1402

RIO DE JANEIRO, May 19, 1945.

[Received May 24.]

Subject: New Consumption Tax Law in Brazil.

SIR: With reference to previous correspondence on the above-mentioned subject, I have the honor to submit the following information on the progress that is being made in eliminating the provisions of the new consumption tax law that are at variance with the Reciprocal Trade Agreement between the United States and Brazil.

Mr. Hortencio de Alcantara Filho, Director of Internal Revenue, stated that he has just submitted to the Minister of Finance a proposal under which the provisions of the trade agreement will be respected in their entirety in the enforcement of the new consumption tax law. The proposal envisages the issuance of a decree-law to that

¹¹ Not printed.

¹² No. 31, p. 718.

¹³ Not printed, but see despatch 28 of the same date, p. 717.

effect. If the Minister of Finance concurs, a few weeks probably will elapse before the decree-law is promulgated.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

800.24/6-1545 : Circular telegram

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

WASHINGTON, June 15, 1945—5 p. m.

The Department has written FEA ¹⁴ suggesting that the Decentralization Plan for Export Control be liquidated in its entirety beginning October 1, 1945. The Executive Committee of FEA has the proposal under consideration and a decision is expected within a short time.

While it would be premature for you to notify the Foreign Office or the Country Agency of the proposed liquidation of the Decentralization plan, this information is forwarded to you because of the possibility that the Embassies of the other American republics here in Washington may learn of the proposal informally and transmit the information to their respective governments.

You will be notified promptly when a decision is reached.

GREW

800.24/8-245 : Telegram

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

RIO DE JANEIRO, August 2, 1945—2 p. m.

[Received 8:20 p. m.]

2414. Circular telegram July 28 ¹⁵ termination Decentralization Plan. Matter presented to Foreign Office and Carteira. Both manifested some reluctance to assent. They fear that complete abandonment of Plan will reduce availability for export of commodities still subject to individual license and that Embassy no longer will be in position to intervene on behalf of meritorious cases which encounter licensing difficulties. Appropriate oral assurances given officials concerned by Embassy and misgivings dispelled in part.

Foreign Office must consult Finance Minister and Coordinator Economic Mobilization before giving concurrence of Brazilian Government. Embassy pressing Foreign Office for prompt reply and favorable response may be received by August 15.

BERLE

¹⁴ Foreign Economic Administration.

¹⁵ Not printed.

S00.24/8-2345 : Telegram

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

RIO DE JANEIRO, August 23, 1945—7 p. m.

[Received August 24—4 a. m.]

2641. For Department and Freedman, FEA.¹⁶ Department's telegram 2047, August 22.¹⁷ Foreign Office informally but authoritatively states Brazil unconditionally accepts liquidation of Decentralization Plan of export control. Formal note to this effect is to be delivered by 25th. It is believed public announcement may safely be made on basis of assurance received from office.

BERLE

611.009/9-2445 : Circular airgram

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

WASHINGTON, September 24, 1945—9 : 55 a. m.

The recent action of the War Production Board in removing all but a few imported products from General Imports Order M-63,¹⁸ and the action of the Foreign Economic Administration on September 10 of drastically reducing the number of commodities for which individual export licenses will be required, plus numerous other actions by Government agencies since V-J Day, have given ample indication of this Government's intention to put into practice its policy to remove all wartime controls on international trade and government participation in such trade as rapidly as is consistent with the objectives of this Government for an orderly economic transition from war to peace. Such controls as remain will be for the purpose of assuring adequate supplies to meet minimum civilian requirements of items in short supply. Such action also carries out the obligations which this Government assumed under the first paragraph of Resolution XX of the Inter-American Conference on Problems of War and Peace at Mexico City.¹⁹

In your discretion you should take advantage of an early opportunity in discussions with local officials to stress such positive and extensive action as that referred to above which this Government is

¹⁶ Walter Freedman, Acting Director, Requirements and Supply Branch, Bureau of Supplies, Foreign Economic Administration.

¹⁷ Not printed.

¹⁸ For texts of the order and its numerous amendments, see lists of War Production Board regulations by document designations in the indexes of the *Federal Register*.

¹⁹ For text of this Resolution, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 59.

taking in removing controls and to express the strong hope of this Government that similar action will be taken or continue to be taken in the other American republics. As you are aware, this Government is particularly concerned at the possibility that economic controls in general and controls on trade in particular which have been imposed during the war, will be continued in permanent form after they are no longer required for their original purpose.

ACHESON

611.3231/10-545

The Acting Secretary of State to the Ambassador in Brazil (Berle)

No. 7571

WASHINGTON, October 5, 1945.

SIR: Reference is made to previous correspondence with the Embassy relating to the Brazilian consumption tax.

The Embassy on its own initiative, and in accordance with instructions from the Department, has for many months been urging the Brazilian Government to remove all conflicts of the consumption tax with the trade agreement. As applied, the tax contravenes Article VII of the agreement in two respects, as follows:

- (a) By the taxation of many imported articles at a higher rate than like domestic articles.
- (b) By the imposition on certain articles in Schedule I of taxes not in force on the date of signature of the agreement.

The Department has been reexamining the questions of policy raised by the consumption tax and has reached the conclusion that it would be inadvisable to insist further that Brazil adhere strictly to the letter of Article VII in the agreement. It is proposed to offer the Brazilian Government an exchange of notes which, in effect, would eliminate the requirement contained in paragraph 2 of Article VII. Such a change in that Article would then grant Brazil the right to impose non-discriminatory internal taxes on any commodities, whether or not they are listed in the Schedules (thereby legally permitting the action mentioned in point (b) above).

The decision to propose such action to the Brazilian Government is based upon the following considerations.

The general policy of this Government with respect to the imposition of internal or compensatory import taxes has for some time been founded upon the principle of national treatment. The Brazilian trade agreement, among the earliest concluded by this Government, is virtually the only trade agreement of the United States still in force that prohibits new or increased internal taxes on scheduled articles.

Article II of the Mexican agreement²⁰ is an example of the "standard" provision relating to internal taxes incorporated in our trade agreements:

"Articles the growth, produce or manufacture of the United States of America or the United Mexican States imported into the other country, shall be exempt from all internal taxes, fees, charges or exactions other or higher than those imposed on like articles of national origin."

There is no provision in the Mexican or other recent agreements which prohibits new or increased internal taxes on articles in the Schedules, as there is in the Brazilian agreement.

Again, with regard to compensatory taxes on imports Article IX of the Mexican agreement is typical:

"The provisions of Article VII and VIII of this Agreement [relating to ordinary customs duties and other taxes or charges on or in connection with importation on articles included in the Schedules] shall not prevent the Government of the United States of America or the Government of the United Mexican States from imposing at any time on the importation of any article a charge equivalent to an internal tax imposed in respect of a like domestic article or in respect of a commodity from which the imported article has been manufactured or produced in whole or in part."

Such provisions as the above are designed to permit the non-discriminatory application to imported products, whether or not included in the Schedules of the Agreement, of new taxes, and of increases in the rates of existing taxes. In the case of the United States these provisions have applied to the new manufacturers' and retailers' excise taxes, and increases in the rates on tobacco products and liquor, and would cover the imposition on imported articles of a general sales tax, if one should be enacted. In the case of Brazil, the addition of such provisions to the agreement would permit the non-discriminatory application of the consumption tax to imports of Schedule I articles from the United States.

From the foregoing it is clear that the provision in the Brazilian agreement prohibiting new or increased internal taxes on articles in the Schedules is not now consistent with the general policy of this Government regarding internal taxes.

In this connection, however, it should be emphasized that no change in policy has been made with regard to discriminatory rates of taxation. The Department continues to oppose the levying by the Brazilian Government of higher internal taxes upon imported goods than upon like domestic articles (in violation of the first paragraph of Article VII in the Brazilian agreement).

²⁰ Agreement signed December 23, 1942. Department of State Executive Agreement Series No. 311, or 57 Stat. (pt. 2) 833.

It is felt that it would be desirable to offer immediately to the Brazilian Government an exchange of notes wherein the United States would in effect concede to Brazil the right to levy an internal consumption tax on any commodity. Although not directly linked to such action, the Brazilian Government would be expected, before such an exchange took place, to remove the discriminatory features of the tax law by making the rates on imported goods no higher than on like domestic articles.

Before taking any action in the matter, the Department desires the Embassy's views regarding the foregoing proposal and, in particular, as to whether the Brazilian Government would agree to equalize the consumption tax rates if it were conceded the right to apply the tax to all commodities.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

632.006/12-2945 : Telegram

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

RIO DE JANEIRO, December 29, 1945.

[Received 3:12 p. m.]

3794. Brazilian Import License Regime, covered by order No. 7 of January 22, 1945, has been suspended to be reinstated when new reduced list of commodities subject to import license is prepared and officially announced. Rubber manufacturers, textile machinery, white cement and synthetic semi-precious stones are covered by a decree law and other orders which have not been suspended. It is understood these continue to require import licenses. Carteira is not yet in position to clarify.

DANIELS

**LIABILITY OF UNITED STATES GOVERNMENT AGENCIES OPERATING
IN BRAZIL TO PAY BRAZILIAN CONSUMPTION TAXES**

832.512/4-345

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

No. 825

RIO DE JANEIRO, April 3, 1945.

[Received April 10.]

SIR: I have the honor to present, for the Department's consideration, a problem which has arisen regarding the payment of Brazil's consumption tax by United States Government agencies operating in Brazil. This problem has been discussed by the Embassy with other interested U.S. Government agencies, and is summarized in the Memo-

randum of Conversation of March 30, 1945, a copy of which is submitted as enclosure No. 1 ²¹ to this despatch.

It will be observed that the United States Naval Operating Base, Rio de Janeiro, has received instructions from the Office of the Judge Advocate General, U.S. Navy, Washington D.C., prohibiting it from paying Brazil's consumption tax, a copy of this instruction being submitted as enclosure No. 2 ²¹ to this despatch. The instruction of the Judge Advocate General was based on the fact that United States Naval expenditures constituted those of a sovereign government and, therefore, under the general principle of international law that one sovereignty should not tax another sovereignty, it was considered that its expenditures should be exempted from the payment of Brazil's consumption tax.

In as much as by this instruction the U.S. Naval Operating Base might be forced to curtail radically or discontinue entirely the purchase of many important commodities, particularly foodstuffs, in Brazil, with resultant far reaching deterrent effects on U.S. Naval operations in Brazil, the matter was discussed orally with Minister Antonio de Vilhena Ferreira Braga, Chief of the Economic and Commercial Division, Brazilian Ministry of Foreign Affairs.

Minister Ferreira Braga assured the Embassy that the Ministry of Foreign Affairs would be glad to take up with the Ministry of Finance the problem of the payment of Brazil's consumption tax presented by the United States Navy as well as by other U.S. Government agencies, but since the matter related to the principle of reciprocity under international law, he stated that the Ministry would appreciate receiving a note from the Embassy indicating the degree and extent to which the United States Government grants exemptions from the payment of Federal internal taxes to foreign governmental agencies, as well as manner in which this tax exemption is administered.

Since the Embassy is not sufficiently informed regarding the general legal provisions and administrative procedures by means of which foreign governmental agencies are effectively exempted from the payment of Federal taxes in the United States, the Embassy informed Minister Ferreira Braga that prior to the presentation of a formal note on the matter, it would be referred to the Department's consideration.

Should the Department instruct the Embassy to request the Brazilian Government to exempt U.S. Government agencies operating in Brazil from the payment of Federal internal taxes, or specifically from the payment of the consumption tax, it would be appreciated if the precise terms and phraseology to be contained in the formal note would be indicated.

²¹ Not printed.

The Embassy has kept the U.S. Naval Operating Base fully informed regarding the status of this matter, and has suggested that it should inform the Judge Advocate General, U.S. Navy, so that temporary measures could be taken which would permit the U.S. Naval Operating Base to continue its purchases in Brazil pending the solution of this matter with the Brazilian Government.

Respectfully yours,

ADOLF A. BERLE, JR.

832.512/6-1845

The Acting Secretary of the Treasury (O'Connell) to the Secretary of State

WASHINGTON, June 18, 1945.

MY DEAR MR. SECRETARY: Reference is made to your letter of May 1, 1945 (PR-832.512/4-345) ²² with which you enclosed a copy of Dispatch No. 825 of April 3, 1945, from the American Embassy at Rio de Janeiro, Brazil, in regard to the application of Brazil's consumption tax to agencies of the United States Government operating in Brazil, and to your letter of May 22, 1945 (PR-832.512/5-545) with which you enclosed a copy of Dispatch No. 1254, dated May 5, 1945 from the Embassy at Rio de Janeiro.²³ It appears that the particular problems involved concern the purchasing by the United States Naval Operating Base, Rio de Janeiro, from Brazilian manufacturers of various supplies subject to such tax and purchases by the United States Army of butter subject to the tax.

You express the opinion that under International Law agencies of one sovereign state should not be required to contribute to the public expenses of another state, except insofar as assessments or charges may be regarded as payments for services rendered, and request information as to the extent to which the United States Government grants exemptions from the payment of Federal excise taxes to foreign governmental agencies, and the method of administering such exemptions.

The position of the United States Government respecting the granting of exemptions from Federal excise taxes is set forth in M.T. 7, 1943 C.B. page 1151.²⁴ It will be noted that agencies or commissions of foreign governments are exempt from the payment of Federal excise taxes, the legal incidence of which would otherwise fall upon them, in respect of transactions arising in the performance of their

²² Not printed.

²³ Neither printed.

²⁴ Miscellaneous Tax 7, 1943, Cumulative Bulletin of the Internal Revenue Service.

official functions for which payment is made by the foreign government.

The taxes under this classification are: The taxes on admissions and dues imposed under Chapter 10 of the Internal Revenue Code; the tax with respect to safe deposit boxes under Chapter 12 of the Code; the taxes with respect to telegraph, telephone, radio, and cable facilities under Subchapter B of Chapter 30 of the Code; the tax on the transportation of persons under Subchapter C of Chapter 30 of the Code; the tax on the transportation of property under Subchapter E of Chapter 30 of the Code; the tax on the use of motor vehicles and boats under Chapter 33A of the Code; and the documentary stamp taxes relating to the issuance and transfer of shares of stock and corporate securities, and relating also to certain foreign insurance policies, passage tickets, and conveyances of realty sold, imposed under Chapters 11 and 31 of the Code.

Attention is invited especially to the fact that agencies or commissions of foreign governments are not accorded exemption from taxes, the legal incidence of which is not imposed on them, even though the burden of such taxes may be ultimately passed on to the agency or commission by inclusion of the amount of the tax as a part of the cost of the article. For example, certain Federal excise taxes are imposed upon sales of various articles by manufacturers and by retailers, the legal incidence of which falls directly on the manufacturer or retailer. In practically every case, these manufacturers' and retailers' excise taxes are passed on to the ultimate consumer as part of the cost to him of the taxable article. As to such taxes, an agency or commission of a foreign government is not accorded any tax exemption, even though, as the ultimate consumer of the taxable article, the agency or commission is thus required to bear the burden of the tax.

In view of the foregoing, if the legal incidence of the Brazilian consumption tax in question is on the Naval Operating Base at Rio de Janeiro, it would be a tax similar to those United States excise taxes, for which exemption is granted by this Government, under M.T. 7, *supra*, to agencies or commissions of foreign governments. However, if the legal incidence does not fall upon the Naval Operating Base, but instead the burden of the tax is merely passed on to such Agency as part of the cost of the taxable article, such tax would be similar to the manufacturers' and retailers' excise taxes for which no exemption is accorded agencies or commissions of foreign governments by M.T. 7, *supra*.

From the information before it, this Department is unable to ascertain the nature of the Brazilian consumption tax and the person upon whom the legal incidence of the tax is imposed, and it is not possible, therefore, to determine whether it is similar to those Federal

excise taxes for which exemptions are permitted to foreign agencies or commissions.

In the event of further correspondence, please refer to IR:MT.

Very truly yours,

JOSEPH J. O'CONNELL, JR.

832.512/6-2545

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

No. 1833

RIO DE JANEIRO, June 25, 1945.

[Received July 3.]

Subject: Possible Exemption of Government Agencies from Payment of Brazil's Consumption Tax.

SIR: I have the honor to refer to despatch No. 825 of April 3, 1945, on the above-mentioned subject, and to the Department's telegraphic reply of May 14, 6 p. m., telegram No. 1236,²⁵ stating that the question was submitted to the Treasury Department to determine if a basis for reciprocity exists.

There are now enclosed copies of 1) a memorandum received from Major E. M. Skinner, 2) a letter from Colonel E. J. Bean, Finance Department, Chief, Foreign Fiscal Affairs Branch, 3) letters written by the Embassy to Major Paul S. Espenshade, Captain W. R. Cooke, and Lt. N. C. Depaul, 4) of an official ruling on the liability of U.S. military establishments to payment of the consumption tax, rendered by Dr. Ovidio Paulo de Menezes Gil of the Ministry of Finance, and 5) translation of the ruling mentioned under 4 above.²⁶

It will be noted that the Ministry of Finance maintains that the consumption tax is an indirect tax on the consumer, paid by the manufacturer; that United States military establishments in Brazil are exempt from all direct taxes, but not from indirect taxes paid by manufacturers; and that therefore United States military establishments in Brazil are not exempt from the tax, which is also paid by all Brazilian Government Departments through its incorporation in the manufacturers' sales prices.

The problem faced by the United States military establishments is that under the new consumption tax law manufacturers are obliged to show the tax separately when billing their sales.

Instructions are respectfully requested whether any further action should be taken by the Embassy. Obviously the matter cannot be discussed further with the Foreign Office before the question of reciprocity is clarified.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

²⁵ Not printed.

²⁶ None printed.

832.512/8-245

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

No. 2264

RIO DE JANEIRO, August 2, 1945.

[Received August 9.]

Subject: Possible Exemption of Government Agencies from Payment of Brazil's Consumption Tax.

SIR: I have the honor to refer to the Department's instruction no. 7310 of July 2²⁸ and Embassy despatch no. 1833 of June 25, 1945, on the above-mentioned subject.

[Here follows listing of enclosures, none printed.]

It will be noted from enclosure 4²⁹ that it is intended to request the Embassy to enter a claim for refund of all sums paid under the title of consumption tax. Unless the further opinion requested from the Treasury by the Department, mentioned in instruction no. 7310, indicates grounds for doing so on a reciprocal basis, the Embassy would hardly be in a position to press this matter further, as can readily be seen from the following recapitulation of all available information.

1) In the official ruling rendered by Dr. Ovidio Paulo de Menezes Gil and enclosed with despatch no. 1833 of June 25, 1945, the Ministry of Finance maintained that the consumption tax is an indirect tax on the consumer, paid by the manufacturer; that United States military establishments in Brazil are exempt from all direct taxes, but not from indirect taxes paid by manufacturers; and that therefore United States military establishments in Brazil are not exempt from the tax.

2) The opinion rendered by the Acting Secretary of the Treasury, enclosed with instruction no. 7310 of July 2, concerning the position of the United States Government respecting the granting of exemptions from Federal excise taxes to foreign governmental agencies, is identical to that of the Brazilian authorities, in that it states:

"If the legal incidence does not fall upon the Naval Operating Base, but instead the burden of the tax is merely passed on to such agency as part of the cost of the taxable article, such tax would be similar to the manufacturers' and retailers' excise taxes for which no exemption is accorded agencies or commissions of foreign governments by M.T. 7."

The opinion concludes with the statement that the Treasury Department is unable to ascertain the nature of the Brazilian consumption tax and the person upon whom the legal incidence of the tax is imposed.

²⁸ Not printed.

²⁹ This enclosure included a United States Army memorandum authorizing payment of the consumption tax and providing for a record of such payments to permit entry of a claim for refund by the Embassy.

3) In a memorandum to Dr. Ovidio Gil the Embassy had also questioned the legal incidence of the tax in view of the following wording of articles 2 and 99 of the new consumption tax law:

"Art. 2. The tax is to be paid by the taxpayers indicated in this law before the products leave the factories, commercial establishments, customs houses and customs agencies, and the amount of the tax should be included in the value of the product and charged to the consumer, in accordance with the provisions that follow.

Art. 99. When the tax is ad valorem it must be shown as a separate item on the 'Fiscal Note' and will be collected from the first buyer by the manufacturer from which time it will be incorporated in the price of the product."

In the reply to this memorandum (enclosures nos. 3 and 4) Dr. Ovidio Gil states that the consumption tax is always paid by the manufacturer, who is responsible to the fiscal authorities; through incorporation in the sales price of the product, without being felt it is collected from the first purchaser, who in turn collects it from the consumer. Through this transfer of onus comes its classification as an indirect tax. Decree-law no. 7404, of 1945, did not, nor could it, alter the nature of the tax; only, to facilitate control, the cited art. 99 established the obligation to show the ad valorem tax separately on the "fiscal note",

An examination of the correspondence reveals that Brigadier General B. E. Gates based his decision to permit payment of the tax, subject to a claim for refund by the Embassy, on information in his possession on June 28, 1945. Obviously he did not yet have the data communicated by the Embassy to the United States military establishments in Brazil on July 7 (copy enclosed with despatch no. 1973 of July 7³⁰), and July 13, 1945 (enclosure no. 1) nor of the further official ruling of the Ministry of Finance (inclosures nos. 3 and 4) now being communicated to those organizations. The additional information might serve to alter his attitude, but the situation as of today is submitted for any comments the Department may wish to offer.

Respectfully yours,

For the Ambassador:
DUWAYNE G. CLARK
Commercial Attaché

832.512/10-2945

The Acting Secretary of the Treasury (O'Connell) to the Secretary of State

WASHINGTON, October 29, 1945.

MY DEAR MR. SECRETARY: Reference is made to your letter of September 25, 1945 (PR 832.512/),³⁰ together with enclosure of a trans-

³⁰ Not printed.

lated copy of Brazilian Decree-Law No. 7.404, in which you refer to previous correspondence with respect to the application of this law to agencies of the United States Government operating in Brazil.

In a letter to you dated August 7, 1945 (IR:MT), in reply to your letter of July 2, 1945 (PR-832.512/6-1845),³² you were advised that this Department did not have sufficient information to enable it to determine definitely the exact nature of the tax and upon whom the legal incidence thereof falls. Accordingly, at that time it was impossible for this Department to determine whether the United States would allow an equivalent exemption from such taxes to agencies or commissions of the Brazilian Government operating in this country.

[Here follows a statement of the position of the United States Government as given in the third, fourth, and fifth paragraphs of the letter from the Acting Secretary of the Treasury, June 18, printed on page 727.]

Article 2 of Decree-Law No. 7.404, *supra*, provides that the tax is to be paid before the products leave the factories, commercial establishments, custom houses and custom agencies, and that the amount of the tax should be included in the value of the product and charged up to the consumer.

It appears that under the provisions of Decree-Law No. 7.404, *supra*, the Brazilian consumption tax is paid by the manufacturer, importer, producer, or retailer and is always incorporated in the sales price of the article. Therefore, since the legal incidence does not fall upon the agencies of the United States Government, but instead the burden of the tax is merely passed on to such agencies as part of the cost of the taxable article, such tax is similar to the manufacturers' and retailers' excise taxes for which no exemption is afforded agencies or commissions of foreign governments by M. T. 7, *supra*.

In the event of further correspondence, please refer to IR:MT.

Very truly yours,

JOSEPH J. O'CONNELL, JR.

³² Neither printed.

CHILE

EFFORTS TO SECURE COOPERATION BETWEEN THE UNITED STATES AND CHILE ON CERTAIN MEASURES FOR HEMISPHERE DEFENSE¹

810.20 Defense/1-1145: Telegram

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

WASHINGTON, January 11, 1945—5 p. m.

38. In connection with the military and naval staff conversations scheduled to begin in Chile about January 15, I hope you will take the opportunity, when you meet with General Brett² and the other officers before conversations begin, to impress upon them the important political significance of the conversations in Chile and the delicate political situation existing there in which the army plays an important role. Furthermore, although it has been clearly stated in instructions and discussions concerning the staff conversations, I think it would be well for you to emphasize the preliminary nature of these conversations and to reiterate the importance in view of the information referred to above of our carefully avoiding any direct or implied commitment during these exploratory talks of any sort in regard to the size or equipment of the Chilean armed forces. This is a point which has often been repeated but bears repetition again so that it may be constantly in the minds of those participating.

STETTINIUS

810.20 Defense/1-1545: Telegram

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

SANTIAGO, January 15, 1945—8 p. m.

[Received January 16—3:16 a. m.]

64. (1) This morning accompanied Brett and party on protocol call on Foreign Minister³ and Defense Minister⁴ both of whom were most cordial and received the General as an old friend. By request Brett and I met with Fernández and Carrasco at 3:30 this afternoon. Atmosphere cordial and promising. The evident purpose of this meeting was to give the Ministers an opportunity to set forth with

¹ Continued from *Foreign Relations*, 1944, vol. VII, pp. 673-691.

² Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

³ Joaquín Fernández Fernández.

⁴ Gen. Arnaldo Carrasco Carrasco.

reasons their fears of possible attack from Bolivia and Peru with aid or inspiration of Argentina. Carrasco told Brett of Perón's⁶ bold statement to Chilean Military Attaché in Buenos Aires that Argentina must have a Pacific port from Chile, amicably or ultimately through conflict. This reported at time of the interview to Department.

In the conversation with Ministers Brett handled himself excellently, though nothing was asked by the Ministers and clear purpose was to contribute toward creation of an atmosphere. Both Ministers insisted that Chile wishes to strengthen and broaden her relations with the United States, and cited her request for American naval mission⁷ after twice refusing offer from England.

(2) At 5:30 meeting of all who are to take part in the discussions and do the actual work [took place?] at the Ministry of Defense. Fernández did not attend. I opened with very brief formal statement, and Brett followed with an explanation of the agenda which was distributed among the Chileans participating in the conversations. The Defense Minister expressed his appreciation of the visit, spoke in the strongest terms of the importance to Chile of close relations with us. He then named the officers to take part in the discussion, land, air and sea, and the real work will begin at meeting tomorrow at 9:15. Brett and Smith⁸ pleased with the very cordial atmosphere and much encouraged.

(3) Wright's letter⁹ mentioned in your No. 45 January 12, 7 p. m.¹⁰ dated the 5th did not arrive until this afternoon.

BOWERS

810.20 Defense/1-1645 : Telegram

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

SANTIAGO, January 16, 1945—9 p. m.

[Received January 17—2:57 a. m.]

71. Meeting Brett Commission with Chilean officials at 9:15 resulted in acceptance of agenda proposed. The conversations and atmosphere most friendly and agreeable throughout. At luncheon I gave at noon Chileans seemed in happy frame of mind.

However, questions were asked and pressed covering matters Brett does not feel within his jurisdiction because political and these have been submitted to me by Brett. The agenda prepared by Brett's

⁶ Juan D. Perón, Argentine Vice President and Minister of War.

⁷ For previous reference to this mission, see *Foreign Relations*, 1944, vol. VII, p. 696, footnote 75.

⁸ Brig. Gen. Luther S. Smith, of the Caribbean Defense Command.

⁹ Letter from James H. Wright, Chief of the Division of North and West Coast Affairs, not printed.

¹⁰ Not printed.

headquarters for the conduct of the staff conversations are based upon directives issued by the Joint United States' Chiefs of Staff.

(1) From the agenda: "The United States will employ its Armed Forces to assist any republic to defeat attacks on it by the Armed Forces of a non-American state, or by fifth column groups supported by non-American state, when requested so to do by the recognized government of the republic concerned."

The Chileans inquire what basis of understanding to this effect is to be provided which is more binding than an unwritten assurance to this effect. They make the point that this does not indicate our attitude in case of trouble between two American nations, even though Chile should be attacked by Argentina which we ourselves believe to be inspired by Nazi Germany.

Though they did not press this point they suggested the substitution of "constitutional" for "recognized government", evidently having Bolivia in mind.

(2) From agenda: "This Government is committed to collaboration with other American Republics through inter-American and bilateral arrangements for mutual defense. It has been this Government's policy to avoid entering into formal offensive and defensive alliances."

Referring to bilateral arrangements, Chile would prefer a formal arrangement as in a treaty, since it feels that this would discourage any irresponsible attacks. The Chileans make the point that as stands the attack would begin before anyone would know of our intentions. They suggest the advantage of an assurance that in case of an unprovoked attack on any American nation we would support the nation attacked. But they assume that the last sentence makes this impossible, since this would amount to a defensive alliance.

(3) From the agenda under "assumption made by the United States": "that the American Republics will in future, have a role to play, within the framework of a general security organization, in the maintenance of peace and security within this hemisphere."

The Chileans inquire if this means that Chile will be within the framework, and if so, is this to be by virtue of a treaty of written assurance. I personally suspect this refers back to the conversations when Wright was here ¹¹ in which it appeared possible that since Chile is only an "associate" and not [a member?] of the United Nations she may not be permitted to sit in on the creation of this organization for the preservation of peace.

These questions are not interfering at all with the conversations which are going along so well that Brett feels tomorrow's meeting will

¹¹ See *Foreign Relations*, 1944, vol. VII, pp. 691 ff., *passim*.

end all the important actual preliminaries and the special committees will then proceed with the practical features.

President Ríos is giving luncheon at summer palace in Vija ¹² Thursday for Brett, General Smith, Colonel Fitzpatrick, Captain Quintana Fernández, General[s?] Carrasco and Mejetes.

BOWERS

825.7962/1-2045 : Telegram

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

SANTIAGO, January 20, 1945—1 p. m.

[Received 5:17 p. m.]

94. General Luther Smith from Caribbean Defense Command, Panama, now in Santiago, informs me that he fully concurs in recommendations for improvement of Chilean airports (see my despatches 11094, November 13; ¹³ 11187, November 30 and 11381 January 1 ¹⁴), a matter which not only falls within his province but has again been touched upon in conversations now being conducted with Chilean military officials. He and I recommend, therefore, if State and War Departments perceive no objection that (1) I now be authorized to inform the Foreign Office in reply to its note of October 27 ¹⁵ transmitted in Embassy's above-mentioned despatch of November 13 that we agree to send several Army Air Force airport technicians to make technical surveys and recommendations for improvement and building of Chilean airports without any lend-lease commitment; and (2) that War Department instruct CDC, ¹⁶ Panama, to order the above-mentioned mission to Santiago immediately.

BOWERS

810.20 Defense/1-1645 : Telegram

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

WASHINGTON, January 22, 1945—6 p. m.

73. ReEmbs 71, January 16, 9 p. m. Department is glad to learn questions raised by Chilean Government have not been permitted to interfere with the progress of the conversations. The quotations from General Brett's agenda contained in your telegram are, and should be regarded as, statements of well-established U.S. policy forming the framework within which the United States representatives are to participate in staff conversations of purely technical and exploratory character.

¹² Presumably Vija del Mar.

¹³ *Foreign Relations*, 1944, vol. VII, p. 688.

¹⁴ Neither printed.

¹⁵ Not printed.

¹⁶ Caribbean Defense Command.

The general political question of security arrangements is being approached by this Government and others on a multi-lateral basis as evidenced by the Dumbarton Oaks Proposals¹⁷ and the subjects to be discussed at the forthcoming Conference in Mexico City. With this in mind the instructions concerning the staff conversations have specifically provided that any eventual arrangements for the supply of arms and equipment would be subject to overriding considerations of an international security system and any international agreement regulating arms traffic which may be made.

Should the Chilean Government press you on the questions reported in your 71, please explain the nature of these items on the agenda as stated in the first paragraph above. Please say that you are transmitting the Chilean Government's comments to your Government but that it does not seem appropriate at this time or in connection with the staff conversations to pursue the question of any special bilateral arrangements with Chile in view of developing proposals for general international security arrangements.

STETTINIUS

825.30 Mission/1-2645

Memorandum of Conversation, by the Assistant Chief of the Division of North and West Coast Affairs (Wells)

[WASHINGTON,] January 26, 1945.

Mr. Everson¹⁸ called this afternoon unannounced. He opened the subject by stating that while he came under instructions he wished to make it clear that in no way were his remarks to be considered a protest, that he merely wished to make known informally the feeling of his Government on learning of the arrival of Admiral Merrill¹⁹ at Santiago for the purpose of heading a United States Naval Mission to Chile.

Since the time of Lord Cochrane,²⁰ Mr. Everson said, the British had in a sense been associated with the Chilean Navy; had had a Naval Mission there until the crisis in the early thirties; and, in fact, their present Naval Attaché at Santiago had been a member of the former Naval Mission. Naturally, therefore, they took as bad news

¹⁷ For documentation on the Dumbarton Oaks conversations, held in Washington, August 21–October 7, 1944, with respect to the establishment of an international organization for the maintenance of international peace and security, see *Foreign Relations*, 1944, vol. 1, pp. 713–900.

¹⁸ Second Secretary of the British Embassy.

¹⁹ According to an undated memorandum for the files by J. E. Johnson of the Department, Rear Admiral Merrill carried instructions to lay the groundwork for a United States naval mission to Chile (825.30 Missions/1-1545). For text of naval mission agreement with Chile, signed on May 24, 1945, see Department of State Executive Agreement Series No. 468, or 59 Stat. (pt. 2) 1505.

²⁰ British Admiral who commanded a Chilean naval force that aided in the liberation of Chile and Peru from Spain, 1817–1818.

the report that the United States now is entering the field. He intimated that due to war necessities Great Britain had not entertained the thought of providing a Naval Mission at the present time. Mr. Everson said his instructions asked him to inquire as to the "nature and scope" of the Naval Mission that we proposed to send.

I told him I could say frankly that Admiral Merrill's visit came only after a formal request for the sending of a Naval Mission had been made by the Chilean Government; and that it was of preliminary character for the purpose of discussing with the Chileans in regard to their needs. While I had no specific information, I supposed the future mission would follow the usual pattern of such Missions and its personnel composition would be based upon the wishes and needs of Chile for professional and technical advice.

He also indicated that the Chilean naval vessels are mostly of British origin, as has been Chilean naval equipment up until present war times. At this point he said he understood that one of our objectives was to standardize the military equipment used in the other American republics, and wondered whether the establishment of a Naval Mission in Chile was accompanied by an offer of naval vessels or other naval equipment on our part. I assured him such was not the case; that far from dangling bait, we had actually refrained from encouraging a request.

He said he fully appreciated our position, realizing that in fulfillment of our hemisphere defense policy we must stand ready to lend such assistance when requested. At the same time, he knew we would appreciate the British feeling of disappointment at losing out.

I told Mr. Everson that I would bring his remarks to the attention of the appropriate officers of the Department.

MILTON K. WELLS

810.20 Defense/1-2945 : Telegram

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

SANTIAGO, January 29, 1945—5 p. m.

[Received 7:50 p. m.]

128. Apropos the Brett-Smith mission Herl Fernández asks me to inform Department and Brett that the Ministry has learned that the Peruvian Government has received from the United States in the last year, in direct flight, the planes herein mentioned (repeated for General Brett through Embassy Panama) :

April, 1944, 25 Fairchild planes piloted by Peruvian military aviators. May 1944, 3 Curtiss Hawk planes. October 1944, 10 AT-6 planes. December 1944, 10 North American KKAT-6D planes and 9 CU-78 planes. This, if true, bears out Chile's contention and calls for the equalization Brett implies will be made.

BOWERS

810.20 Defense/1-3145 : Telegram

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

SANTIAGO, January 31, 1945—6 p. m.

[Received 10:38 p. m.]

148. I attended the closing meeting of the conversations between the staffs of the Armed Forces of the United States and Chile this afternoon. The conversations have been conducted in an atmosphere of the greatest cordiality and frankness, and the closing meeting was as cordial as the first. The report of General Smith and Admiral Merrill will be sent by pouch. It was clearly indicated from the beginning that the conversations were exploratory and of course no decisions made. All matters touching the political were referred to me and there was but one, the proffered alliance, with which the Department is now familiar. The military and naval representatives were meticulously correct in their attitude toward the Embassy making association with them officially pleasant.

An amplification on General Brett's plan concerning a commission for representing the three branches of the Armed Forces instead of a separate naval mission which alarmed me at first, in view of the British offer twice made to send a naval mission, has been clarified and I am informed that the plan proposed meets with the acquiescence of Admiral Merino,²¹ which is all that is necessary.

General Smith and Admiral Merrill leave on the 2nd. The books will be closed tomorrow. Outstanding data from the Chileans desired was promised today for this afternoon. The general effect of the conferences has been most salutary and helpful all around.

BOWERS

810.20 Defense/1-2945 : Telegram

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

WASHINGTON, February 2, 1945—7 p. m.

113. For your personal and secret information, the figures cited in your 128, January 29, 5 p. m. substantially correspond with the Department's records. However, all these planes are basic or advanced trainers, in each category of which Chile has received more than twice the number received by Peru. (Peru has likewise evidenced concern at the number of Lend-Lease planes supplied Chile, and Colombia, among other countries, has complained about being neglected in the matter of Lend-Lease.)

You will appreciate the importance of discouraging a tendency on the part of Chile or any other American republic to invoke real or imagined disequilibriums in appealing for increased Lend-Lease or

²¹ Commander in Chief of the Chilean Navy.

other assistance in obtaining matériel. While the Department has studiously avoided striking comparisons and Lend-Lease figures are obviously confidential, you may in strictest confidence tell Fernández that while the exact figures are secret, Chile has received far more planes than Peru.

Lend-Lease equipment has been supplied to promote hemisphere defense from aggression and no government should expect to receive such equipment to strengthen its position vis-à-vis its neighbors. The staff conversations were not intended to go beyond the purport of the basic instructions, and the Department considers it most unfortunate if the Chilean Government has gained the impression that one of the objectives is to correct disequilibrium in Lend-Lease deliveries.

GREW

810.20 Defense/2-845

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

No. 4726

WASHINGTON, February 8, 1945.

The Acting Secretary of State quotes for the confidential information of the Embassy, a memorandum of conversation between Commander Donald McIntyre, Chilean informal Delegate to the Inter-American Defense Board and Colonel Edward H. Porter, United States Army Coordinator of the Board.

"1. In a conversation with Commander McIntyre of Chile on the evening of 26 January 1945 at his home, the commander brought up the subject of standardization of Navy material for the hemisphere. He was very anxious to make it plain that in his opinion the greatest obstacle to standardization would be the question of cost, stating that it would cost 100% more to purchase a ship from the United States than it would to purchase one from Great Britain. He stated that the United States was sending a Naval Mission to Chile and that this was a major change in Chilean policy inasmuch as there had been a Naval Mission from Great Britain in Chile 'on and off' for a hundred years. Commander McIntyre was of the opinion that this mission would fail unless some means were found to sell United States ships to Chile at a price no higher than that of the British market. He stated quite frankly that the British were actively endeavoring to hold onto their business in supplying the Chileans with ships and that his British friends here had talked to him at some length on the subject. He said that he had replied by telling them that the hemisphere had become a unit; and that now Chile was tied more closely to the United States than to Great Britain. He stated that the distances between the countries involved made this more natural."

"2. He seemed most anxious that the United States Naval Mission to Chile should be a success, apparently due to a sincere desire for closer Chilean collaboration with the United States and standardization of naval equipment in the hemisphere."

"3. The commander was very forceful in his statement of the situation and expressed the wish that high United States Officers should be informed of it."

825.7962/2-945

*The Secretary of War (Stimson) to the Assistant Secretary of State
(Clayton)*

WASHINGTON, February 9, 1945.

DEAR MR. SECRETARY: I have your letter of January 15, 1945,²² concerning the interest of the Chilean Government in the construction of a network of airfields in Chile.

The letter indicates a misunderstanding as to the intent of the decision of the Joint Chiefs of Staff to which you refer. That decision merely indicates the areas in which the United States has a requirement for military air bases and in which the United States should have certain military rights. The area so indicated excludes Chile. The decision makes no reference to the desirability of developing the aviation market of the United States in Latin American countries which the War Department has always considered advisable in order to increase the potential air power of the United States and to prevent the infiltration of foreign aviation interests. The War Department has recently submitted to the State-War-Navy Coordinating Committee a proposed overall policy with respect to Latin America, which includes, among other objectives, the desire of the War Department to strengthen hemispheric defense through the development of commercial air facilities throughout Latin America.

As indicated in my letter of November 6, 1944,²² the War Department has always been willing to assist in the furtherance of this latter policy through the medium of its Aviation Missions in the Latin American countries. In this particular case the War Department is prepared to go forward with the Military Air Attaché's program by having the required technicians assigned on temporary duty in Chile, but is not prepared at this time to undertake any commitments with respect to the furnishing of Lend-Lease or of any funds other than the actual cost of required personnel. The degree of assistance that should be rendered in this latter regard will have to abide the result of further survey and discussion.

The War Department is at present preparing recommendations to the State-War-Navy Coordinating Committee as to the extent of War Department participation in the implementation of the United States aviation policy with respect to Latin America.

Sincerely yours,

HENRY L. STIMSON

²² Not printed.

810.20 Defense/2-745

The Assistant Secretary of State for Political Affairs (Dunn) to the Assistant Secretary of State for the American Republics (Rockefeller)

WASHINGTON, February 12, 1945.

MR. ROCKEFELLER: In response to your request of this morning as to the reply of the Joint Chiefs of Staff to our inquiry with respect to possible action by Argentina against her neighbors, the State-War-Navy Coordinating Committee on the 19th of January in requesting certain information from the Joint Chiefs of Staff through the War and Navy Departments included the following question:

"i. From a strategic point of view what should the United States position be with regard to the support or nonsupport of Chile, Uruguay, and Paraguay with respect to Argentina?"

The Joint Chiefs of Staff, by letter of February 6,²⁴ in answering our questions referred particularly to question i. and made the following response:

"Question i. Opinion—The armed forces of the United States can be diverted to military intervention in Latin-America only at the expense of the war effort against our present enemies. All appropriate measures should be taken, therefore, to prevent the outbreak of war in Latin-America. Should war nevertheless occur, the United States should endeavor to minimize its own commitments and if possible, to insure that the necessary military forces be furnished by Latin-American states."

The entire letter from the Joint Chiefs of Staff was forwarded to the Secretary of State by the State-War-Navy Coordinating Committee on the 7th of February, 1945 and a copy was sent by memorandum from the secretaries of the State-War-Navy Coordinating Committee to Mr. Avra Warren for the SWNCC²⁵ Subcommittee on Latin America on the same day.

JAMES CLEMENT DUNN

825.24/5-1845

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

No. 4918

WASHINGTON, May 18, 1945

SIR: I enclose for your confidential information a copy of the Department's note of even date to the Chilean Embassy in Washington, together with a copy of Statement LL-4²⁶ prepared by the Foreign

²⁴ Not printed.

²⁵ State-War-Navy Coordinating Committee.

²⁶ Neither printed.

Economic Administration showing charges made against the Government of Chile during the period from December 1, 1944 through February 28, 1945 covering defense matériel transferred in accordance with the terms of the Lend-Lease Agreement signed on March 2, 1943.^{26a}

It will be noted that the charges made against Chile through February 28, 1945 for all defense matériel transferred in accordance with the Agreement aggregate the grand total of \$19,276,192.11. To date, two reimbursement payments on account amounting to a total of \$5,000,000 have been received from Chile.

In this connection, you are informed that henceforth negotiations for effecting lend-lease collections from the other American republics, including Chile, will be conducted here in Washington between officers of the Department and the respective Embassies. The American Missions in the countries concerned will be kept informed of developments.²⁷ Also, this Government will continue to maintain the policy of requesting reimbursement payments in accordance with the terms stipulated in the Lend-Lease Agreements with the various other American republics.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

825.7962/2-945

The Acting Secretary of State to the Secretary of War (Stimson)

WASHINGTON, May 31, 1945.

MY DEAR MR. SECRETARY: Reference is made to the War Department's letter of February 9, 1945 and to a memorandum dated April 13, 1945²⁸ from Col. P. W. Edwards, Deputy Chief, Pan American Group, OPD-WDGS,²⁹ concerning the placing of a special engineering mission to assist the Chilean Government in the construction of airfields. As you know, this matter has recently received the consideration of the State-War-Navy Coordinating Committee and of the Joint Chiefs of Staff.

In view of the opinion of the Joint Chiefs of Staff to the effect that where considered necessary or advisable by authorized agencies the United States may, through existing channels, extend assistance to the Latin American Republics in the construction of airfields, it is this Department's view that the War Department should proceed with the

^{26a} For a summary of the Agreement, see *Foreign Relations*, 1943, vol. v, p. 816.

²⁷ Instruction 5131, September 4, 1945, reported additional charges of \$11,431.48 from March 1 through May 31, 1945, with no additional reimbursement payments (825.24/9-745). See also instruction 5287, December 11, p. 753.

²⁸ Latter not printed.

²⁹ Operations Division, War Department General Staff.

assignment of the mission to Chile. It is understood that no commitments with regard to the furnishing of lend-lease are to be made. It is further understood that a technician from the Civil Aeronautics Administration will be a member of the special mission.

Sincerely yours,

For the Acting Secretary of State:

WILLIAM L. CLAYTON

Assistant Secretary

825.7962/6-445 : Telegram

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

WASHINGTON, June 8, 1945—6 p. m.

436. Reurtel 716, June 4.³⁰ Organization of mission and assignment of specific personnel being pushed by War and State Departments. However, before mission is actually sent Department desires you to exchange notes with Chilean Government which make clear that mission is sent to assist Chilean Government in interest of aviation development and not for military purposes. Also, agreement should specify that mission will not be empowered to discuss lend-lease assistance which it is not possible to extend for these purposes. (Refer second paragraph FonOff Note 51, October 27).³¹

For your information mission of military officials being sent because of inability to arrange now for one composed of civilians. Present War Department plans envisage assignment of officers from Gen. Brett's command to serve temporary duty attached to air mission for administrative purposes but not under its direction.

Please inform Department as soon as FonOff has agreed to assignment of mission on this basis.

GREW

825.20 Missions/6-1945 : Telegram

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

SANTIAGO, June 19, 1945—5 p. m.

[Received 10:30 p. m.]

819. General Paschal³² had talk yesterday with Portales,³³ Commanding-in-Chief, and Larrain, Chief Coordination General Staff

³⁰ Not printed.

³¹ Copy transmitted to the Department in despatch 11,187, November 30, 1944, from Santiago. The second paragraph requested that necessary equipment for airport development be made available as a charge against Lend-Lease funds. (825.7962/11-3044)

³² Brig. Gen. Paul C. Paschal, of the Caribbean Defense Command.

³³ Maj. Gen. Alfredo Portales M., Commander in Chief of the Chilean Army.

(see paragraph 3, page 2, despatch 12,269, June 11³⁴). They seemed more amenable and understanding than Carrasco and perceived no objection in principle to establishment of small U.S. ground mission before prior receipt of arms. They said they would discuss this with appropriate Chilean officials. It remains to be seen whether this oblique approach to Minister Defense will prove effective. Nevertheless, I think patient endeavors by Paschal to obtain sympathetic consideration is right line for time being. In any event time may come when it will be advisable tell Chileans approximately what military equipment authorities in Washington are willing eventually to furnish Chile and at what cost in order give favorable start program contemplated in joint staff conversations. (See paragraph 5, page 2, above despatch).

BOWERS

825.20 Missions/6-2045: Telegram

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

WASHINGTON, June 27, 1945—1 p. m.

519. Reurtels 819, June 19, and 826, June 20.³⁵ Pending specific congressional authorization and legislation for implementing the program envisaged in joint staff conversations, the Department, in conjunction with War and Navy, is recommending the interim use of Surplus War Properties Act³⁶ for this purpose. Basic policy document covering this whole subject including relationship of State, War and Navy is being discussed at the highest level. Meanwhile this Government is not in a position to give definite assurances as to quantities or conditions under which equipment ultimately may be made available. Decisions are being expedited and we hope very soon to send a circular instruction clarifying policy and procedures.

In the meantime the Department feels that any conversations with the Chilean Government regarding a ground mission should be handled delicately in such way as to minimize discussions concerning equipment. Embassy's despatch 12269³⁴ has not yet reached Department.

GREW

³⁴ Despatch not printed; it indicated that General Paschal had had an unpromising reception in Santiago (825.20 Missions/6-1145).

³⁵ Latter not printed; it reported a conversation with the Chilean Minister of Defense, who stated that Chile would not accept a military ground mission until she had received certain equipment requested and implied that even then his country "would want not a mission but instructors only". (825.20 Missions/6-2045)

³⁶ Act approved October 3, 1944, 58 Stat. (pt. 1) 765.

810.20 Defense/7-745: Telegram

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

WASHINGTON, July 11, 1945—7 p. m.

567. Your despatch 12269 June 11 and tel 885 June 30;³⁹ Dept's tel 519 June 27. As a result of clarification with the War and Navy Departments of certain basic factors affecting future military collaboration with the other American republics, it is hoped that it will shortly be possible to make decisions on recommendations arrived at in staff conversations, concerning U.S. cooperation in regard to military missions, training and equipment. The purpose of General Paschal's visit to Chile is closely related to the entire program of military cooperation.

Your tel 914 July 7.⁴⁰ Before any steps can be taken reports and recommendations of all conversations must be studied and fitted into a broad program of military cooperation of which Chilean program would form a part. Since the War Dept is now studying Brett's report it will be unable to furnish Dept with copies or summary. Dept therefore must rely upon Embassy for information upon which to base its independent judgments. Please therefore submit to Dept: (a) summary of staff conversations prepared by Embassy based on Brett report. (b) Embassy comments on recommendations. In Embassy's recommendations please give special consideration to Chile's relations with its neighbors, the effect of proposed military and naval plans on Chilean public financial situation, and opinions of Chilean political leaders other than military and naval personnel.

GREW

810.20 Defense/7-2645

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

No. 12498

SANTIAGO, July 26, 1945.

[Received August 8.]

SIR: Referring to my despatch 12,452 of July 25, 1945⁴⁰ transmitting a summary of the report on Bilateral Staff Conversations between the United States and Chile, I have the honor to submit below the Embassy's views and a general discussion on the scope of the Conversations and what I deem are, or should be, their objectives.

I believe the Staff Conversations were admirably conceived and well executed but they are of no value unless implemented. In fact, I regard the implementing of these conversations as a matter of the first importance in its bearing on the future political and strategic position

³⁹ Neither printed.⁴⁰ Not printed.

of the United States and one in which success or failure can bring good or ill fortune to us for many years to come.

Judging from the very incomplete information which I have been able to obtain, the distribution of Lend-Lease equipment to American countries, a policy forced on us by exigencies of war, has sown dragons' teeth in this continent and I assume that the extracting of these teeth is one of the principal reasons for the program, the first chapter of which was the Staff Conversations. In other words, one of our objectives is to try before it is too late to conduct negotiations which will in effect be the equivalent of a limitation of armaments conference. Given the character of the problem and the inherent rivalries among the American republics, I think it is most unlikely that success would result from a limitation of armaments conference attended by these countries and therefore the oblique approach to that problem through Bilateral Staff Conversations constitutes statecraft of a high order.

Assuming that the foregoing is correct my next premise is that, as stated in the agenda for the staff conversations and underscored by the Department's secret telegram No. 73 of January 22, the Department approached the political question of security arrangements on the multilateral basis shown by the Dumbarton Oaks proposals,⁴¹ which preceded the Conversations, and by the Act of Chapultepec⁴² and the United Nations Charter⁴³ which came after the Conversations. Similarly, arrangements for supply of arms is to be subject to the overriding consideration of the international security system of the Charter; and the arms traffic is to be controlled by international agreement.

Certainly, regardless of what may be argued as to our position in other parts of the world, there can be no doubt of our perpetual security obligations in this hemisphere based on every ground; tradition, the solemn declaration of the Monroe Doctrine, the commitments at many Pan-American Conferences, and finally the Act of Chapultepec and the Charter, all of which adds up to the protection of the United States. And given the changing scene of Latin American politics and our traditional policy, the advantages of multilateral commitments are too obviously indicated to need emphasis.

Granting, therefore, the patent fact that we must protect this hemisphere from outside attack, that other great powers will, under the Charter, be committed to the obligation of keeping peace between all countries of the world, I am strongly of the opinion that, if possible

⁴¹ For documentation on the Dumbarton Oaks conversations, see *Foreign Relations*, 1944, vol. I, pp. 713 ff.

⁴² See Resolution VIII, Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), pp. 40-44.

⁴³ Senate Document No. 123, 81st Cong., 1st sess.: *A Decade of American Foreign Policy, Basic Documents, 1941-49*, p. 117.

under existing commitments, the American countries should keep the peace among one another without the intervention of non-American states; and I assume that nearly the whole burden of this task will in the last analysis fall upon the United States.

It is in the light of the foregoing that we should consider with the utmost care how strongly we should arm those countries. Theoretically, large military forces in the South American countries with our arms and organization would form a stronger force to resist foreign invasion. I feel, however, this is open to question and that it is not unlikely that some very strongly armed South American countries might be a hindrance rather than a help to our protection of this hemisphere. In fact in reply to direct question on this point by a member of the Embassy, General Smith, head of the American Delegation at the Bilateral Conversations, stated categorically that the Lend-Lease arms given to Central American states had been used to our disadvantage.

As pointed out above, the United States will in all probability have to carry the burden of the defense of this hemisphere and though, to be sure, we want ample and suitably placed air and naval bases with adequate protection furnished by the local military forces, we should not be too sanguine that a combination of circumstances may not eventuate in which one or more South American countries might be more disposed to help the foreign power than to help the United States. We need only take Argentina as an example.

Therefore, as regards defense of the hemisphere, I believe that we should endeavor to keep the armed establishments in these countries down to a minimum in our own strategic interest, to say nothing of the fact that there are very few American countries whose budgets can really afford their present military establishments, much less larger ones.

The next question is whether very strong military establishments in South American countries would increase the risk of war between them and whether, in that event, such forces would increase our difficulties in settling these differences?

I do not think there is the slightest doubt that, in general, strong military forces in the Latin American Republics, as has been the case everywhere throughout the world's history, increase the danger of war with their neighbors. It seems therefore self-evident that from this standpoint also it is in our interest to keep military forces down to the minimum required to defend the above mentioned air and naval bases which we will need to use for the defense of this hemisphere.

The foregoing is of course much easier said than done. In Chile and in some other American republics there is strong feeling of pride in the armed forces based on what they regard as "glorious pages" in the history of the country. I think, however, that as presumably

in other American republics, Chile could be persuaded to accept a modest military force, provided we can prove to Chile's satisfaction that she is in no danger of attack from her neighbors by (a) convincing her of the efficacy and sincerity of our commitments under the United Nations Charter and the Act of Chapultepec and, what is perhaps more important, (b) proof that her neighbors are not dangerously armed.

In Chile, as I daresay in most South American countries, when they talk about national security they think of the possibility of an attack from a neighboring country, rather than a violation of the Monroe Doctrine, in the confident conviction that the United States will prevent the latter. It will, therefore, be a most difficult and delicate problem for the appropriate departments in Washington and the joint United States Chiefs of Staff to allot arms to South American countries in such a way as will not arouse the fears of their neighbors, and at the same time remove the fears which now exist. Of course this is a very large order, but I believe it is an objective toward which we should strive and strive with the utmost effort. The potential future difficulties to the United States through failure to remedy the growing bellicose atmosphere in some countries of South America, increased in no small degree by *ad hoc* Lend-Lease arms shipments, are of course familiar to the Department of State, but I wish to say that I regard them as alarming.

I would emphasize that I do not mean to imply that I regard Chile as a country likely to violate the peace of the continent. On the contrary, as explained below, Chile strongly feels that she is surrounded by enemies; she has territory won in a war of the Pacific fought some 65 years ago when Bolivia and Peru united against her.⁴⁴ Argentina wants contiguous Chilean territory in the Magallanes and a port on the Pacific. Accordingly, it is obviously Chile's policy to remain at peace and maintain intact her territorial integrity. In view of this and Chile's exceptional vulnerability, due to her enormous coast line and frontier as discussed in more detail by the Embassy's Military Attaché in Enclosure No. 6 to the despatch under reference,⁴⁵ this policy should be taken into consideration in any distribution of arms; in fact, failure to do so might afford further temptation to her neighbors to attack.

The memorandum from the Ministry of Defense enclosed in my despatch No. 11,564 of January 26, 1945^{45a} (Subject: United States-Chile general staff conversations; transmitting copy of an undated memorandum from the Chilean Minister of Defense regarding Chile's desire for assurances of help from the United States in case of an

⁴⁴ For documentation on the War of the Pacific, see sections on Bolivia, Chile, and Peru in *Foreign Relations* for the years 1879-1883.

⁴⁵ I.e., despatch 12452 of July 25; not printed.

^{45a} Not printed.

attack from another American State), sets forth Chile's fears of its immediate neighbors, Argentina, Bolivia and Peru; Argentina's ambitions in Chilean Patagonia and Tierra del Fuego and its desire for a Pacific coastline; Peru's ambitions to recover the poor province of Arica and possibly some of the more valuable territory farther south; and Bolivia's aspirations for a port of her own on the Pacific.

Argentinian and Peruvian questions are chronic and do not lend themselves to an obvious solution. With farseeing and courageous statesmanship in Chile and Bolivia and a reasoning and impassionate public opinion, the problem of a Bolivian outlet would seem to be fairly easy of solution, since the area which could be given to Bolivia—that is the port of Arica and the railway line—comprises a narrow strip of territory of small value. One could contend that satisfying Bolivia in this respect would tend to remove the ever present danger that Bolivia will one day join Peru in attacking Chile. Furthermore, such a strip of Bolivian territory might be a useful buffer between Chile and Peru. However, as the Department is only too aware, the historical background and character of the people involved make this rather obvious solution very remote. The recent renewed agitation in Bolivia for such a port and Chile's vigorous popular reaction in denial shows how little chance there is of satisfying Bolivia. (See despatch No. 12,369 of June 30, 1945.⁴⁶)

As regards the purely military aspects of the Staff Conversations, it would seem that a formula providing a suitable quota and a fair ratio of strength between Chile, Bolivia and Peru could be arrived at without too great difficulty. The problem of Argentina with her thriving infant arms industry presents, however, a very different problem.

Probably as great a problem in the adjustment of the South American arms is the position which Brazil will occupy at the end of the war. I don't for the moment question the necessity of rushing arms to Brazil at the time of the gravest crisis, but the inescapable fact remains that the American republics judge their own needs in the light of the strength of their neighbors, and the arming of one country such as Brazil starts the vicious spiral; her neighbors will feel insecure without large military forces and, in turn, their neighbors will feel a similar need. Thus, armament in Brazil has set a pace which will tend to increase the tempo of armament throughout the entire continent.

I would add one more point which I consider of the greatest importance. In the Agenda of our Staff Conversations we wisely provided that we are to be the only source of arms for American republics and that all arms received by those countries from other sources are

⁴⁶ Not printed.

to be scrapped or exchanged. I need hardly point out to the Department that, in spite of this wise provision, an unfriendly Russia or Britain starting the old vicious arms racket could upset our well laid plans.

I earnestly hope and recommend, therefore, that in one way or another we will arrive at some hard and fast arrangement which will prevent any non-American country from sending any arms whatsoever to this hemisphere.

Respectfully yours,

CLAUDE G. BOWERS

810.20 Defense/9-2045: Telegram

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

SANTIAGO, September 20, 1945—6 p. m.

[Received 11:25 p. m.]

1192. Yesterday morning General Brett had 2-hour conference with Carrasco, Minister Defense who has been stumbling point in matter of ground mission and in end Brett's handling of matter appeared to satisfy objections of Minister whose attitude throughout was friendly. These as previously reported were based on ground that with ending of lend-lease, mission would be crippled by lack of certain equipment he thinks necessary. Without making any commitments Brett explained a plan having President's approval was pending in Congress which might meet actual necessities. He urged Chile ask for temporary ground mission which could be made permanent so preliminary organization work could go ahead. Brett convinced that Minister had talked among other Army officers with such assurance about demanding material before acceptance of mission he is now seeking way of retreat without losing face. However, other officers of military hierarchy all strongly favorable to mission.

Last night at President's dinner Brett, who sat between Carrasco and me, told me at table that a moment before Carrasco had whispered to him, "I think that matter we were discussing about ground mission will be speedily worked out to your satisfaction."

First of week I shall see both President and Fernández and shall reiterate Brett's arguments to Carrasco. I suspect between conference in morning and dinner in evening, Carrasco reported to President and found him favorable to Brett suggestion.

Brett was received here with real enthusiasm by Army officers and public and was cheered by crowds in street riding in my car from military review yesterday afternoon. May I suggest his displacement in less than a month is untimely during these negotiations because of his popularity with Army men in South America?

BOWERS.

810.20 Defense/9-2045 : Telegram

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

WASHINGTON, September 26, 1945—8 p. m.

770. Urtel 1192, Sept 20. In connection with any conference with Chileans on possible ground mission Dept wishes to give you full background of situation concerning future transfers of military equipment.

Dept is proceeding with plans for implementation of staff conversations and has sent you under cover of secret circular instruction dated Sept 11⁴⁷ policy document concerning future military cooperation mentioned in Dept's 519, June 27. With end of Lend-Lease, however, only Surplus Property Act available for transfer of equipment approved as result of staff conversations until new legislation has been enacted by Congress. While it is expected that some material can be transferred under Surplus Property Act, legal complications will result in delay. Appears that full implementation of staff conversations therefore must await enactment by Congress of new legislation now being considered by State, War, and Navy Depts. Believe this draft of legislation is what Brett had in mind in his reference to "plan having Presidential approval pending in Congress". No legislation, however, has yet been presented to President or Congress.

Because of situation described above, you will readily appreciate need for delicate handling of mission question which has apparently been linked to delivery of equipment. In any conversations with Chileans regarding mission please be sure that they are under no illusions as to situation regarding delivery of equipment. Should they request temporary mission, you should make sure that such an arrangement will not involve any commitment for deliveries which we shall not be able to fulfill because of uncertain factors mentioned previous paragraph.

Situation regarding equipment remains virtually as outlined in Dept's 519, June 27, and does not warrant making promises to anyone as to amounts or dates of delivery.

ACHESON

[Following the cessation of hostilities with Japan, notification was sent to Embassies of countries receiving lend-lease aid that lend-lease operations were being terminated. For text of note, see circular telegram of October 6, page 256. The note to the Chilean Ambassador was dated September 28, 1945.]

⁴⁷ *Ante*, p. 249.

S10.24/12-845 : Telegram

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

SANTIAGO, December 8, 1945—1 p. m.

[Received 4:34 p. m.]

1528. For the President, the Secretary and Braden.⁴⁸ In amplification mytel 1517, December 5,⁴⁹ I am informed that Admiral Mayfield⁵⁰ during conference with Admiral Merino, head of Navy here, complains that Chilean Navy Mission in Washington is unable make any progress regarding certain equipment asked and deemed necessary here; that morale of Chilean Navy is suffering in consequence from lack of material "particularly modern ships"; that Chile desires adopt US standards; that England continues to offer ships, material and training for personnel; and that pressure from Government and other sources makes his position very difficult, especially since so little progress is being made toward obtaining desired training and material from US.

Mytel 1523, December 6.⁵¹ It appears too that British Naval Attaché in Chile at request of Chilean Navy has cabled England to inquire if recently acquired Canadian frigates can be re-equipped with radar, sound gear, and guns by purchase from England or Canada.

It has been explained to Merino drafts of proposed legislation making possible furnishing material are in course of preparation but this information has been given him over long period. I cannot say too emphatically that our missions from no fault of their own are losing confidence and prestige.

BOWERS

825.24/12-1145

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

No. 5287

WASHINGTON, December 11, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Chilean Embassy in Washington together with a copy of Statement LL-6,⁵² showing charges made against the Government of Chile during the period from June 1, 1945, through August 31, 1945, for defense matériel transferred to Chile under the Lend-Lease Agreement signed on March 2, 1943.

It will be noted that the amount of charges made during the period under reference is \$903,232.99. The charges made through August 31,

⁴⁸ Spruille Braden, Assistant Secretary of State.

⁴⁹ Not printed.

⁵⁰ Rear Adm. Irving H. Mayfield, Chief of United States Naval Mission to Chile.

⁵¹ Not printed; the Ambassador confirmed press reports that Chile had obtained five corvettes from Canada (825.30/12-645).

⁵² Neither printed.

1945 for all matériel transferred to Chile aggregate the grand total of \$20,190,856.58. To date two reimbursement payments on account amounting to a total of \$5,000,000 have been received from Chile. Under the terms of the Agreement the next payment of \$1,057,000 will be due January 1, 1946.

This Government will continue to maintain the policy of requesting reimbursement payments in accordance with the terms stipulated in the Lend-Lease Agreements with the various American Republics.

Very truly yours,

For the Secretary of State:
SPRUILLE BRADEN

825.20 Missions/11-1945

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

WASHINGTON, December 15, 1945.

DEAR CLAUDE: I had already drafted a reply to the questions about some of our missions in Chile raised in your letter of November 19, 1945,⁵⁴ but as a result of the meeting of the Staff Committee on December 11 when the interim program for certain military ground equipment to the American republics was approved, I have been obliged to revise my letter.

As you no doubt know, the interim program was set up to provide certain material, in partial implementation, without awaiting full implementation of the Staff Conversations and insofar as Chile is concerned this means the equipment for one Infantry regiment (3,200 men) and one battalion Field Artillery (550 men). This, I understand, represents 13% of the ground force requirements.

With regard to full implementation of the Staff Conversations, this will require consideration at the Rio de Janeiro meeting where the question of overall hemisphere defense will be gone into and there may be some modifications in the recommendations which emanated from the Staff Conversations. Many of these recommendations seem to us to need careful ironing out before they are implemented. In the meantime, the interim program can go forward as rapidly as details can be worked out and the interim ground material for Chile should, I think, on the basis of our information, be deliverable in about two months.

The equipment for the Navy has been held up by uncertainty in our own Navy Department, which has not submitted any request to us for material discussed in the preliminary Staff Conversations with Chile.

⁵⁴ Not printed.

With regard to the work of our Aviation Mission in Chile, it is possible for them under existing decisions to obtain training planes as well as transports. However, amplification of this program for other than demilitarized planes must await authorization after future consultation.

Now that some of our ground material can go forward, the question of a ground mission should continue to be dealt with as indicated in the Department's telegrams of June 27 and September 26, 1945,⁵⁵ respectively, in order not to involve a commitment for deliveries which uncertain factors might prevent us from fulfilling.

I can assure you that I am giving the questions raised in your letter my active and careful personal attention and I expect to meet with War and Navy Department officials on Monday in a further discussion of material not covered in the interim ground equipment decision, in preparation for taking them up at the Rio meeting and for inclusion in our own essential enabling legislation. The results of these meetings and the text of a note which we propose to address to the American republics' missions here will be made available as promptly as possible. I hope that I have made clear that we are in sympathy with your recommendations and that everything possible is being done to attain the objective we seek.

With regard to the Cruchaga case,⁵⁶ I, too, am glad that it is finally settled without Chile being asked to pay.

Your comments on Communistic trends were very interesting and activities there appear to follow the general pattern of their attitude in the other American republics.

Sincerely,

SPRUILL BRADEN

ENTRY OF CHILE INTO A STATE OF BELLIGERENCY WITH THE AXIS POWERS AND ADHERENCE OF CHILE TO THE UNITED NATIONS DECLARATION ⁵⁷

⁷¹¹—Lat. Am. Rep. : Telegram

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

WASHINGTON, January 3, 1945—8 p. m.

11. Your telegram No. 1981, December 29, 10 p. m.⁵⁸ The most careful study has been given to your secret message reporting your last

⁵⁵ Nos. 519 and 770, pp. 745 and 752, respectively.

⁵⁶ Miguel Cruchaga represented Chile at the United Nations Conference on International Organization, held at San Francisco, April 25–June 26, 1945. His illness and subsequent return to Chile raised a question as to responsibility for the costs of his return trip via a United States military plane.

⁵⁷ For previous documentation on the question of Chile's entering the war against the Axis, see *Foreign Relations*, 1944, vol. VII, pp. 691 ff.

⁵⁸ *Ibid.*, p. 699.

conversation with Fernández.⁵⁹ We are fully alive to the delicacy of this matter⁶⁰ and keenly appreciate the difficulties which confront the President⁶¹ and the Foreign Minister. I am sanguine, however, that by an able and courageous presentation the step could be taken with benefit to all.

The very real importance not only to Chile but also to the Inter-American system of all our republics standing shoulder to shoulder as full-fledged members of the United Nations and simultaneously participating on an entirely equal footing in the momentous deliberations which will shortly be held, cannot be over-emphasized. We are sure that the President and Fernández understand this fully and are confident that they appreciate the importance to Chile of taking the leadership in this matter.

With specific reference to the three numbered points made in your telegram, the Department feels (1) that it would be most unwise for Chile to approach Russia and Great Britain on this matter at this time, and we appreciate Chile's assurance it will not do so without our concurrence. This would confuse the broader issue and would gain Chile nothing; (2) our responsibilities to the other five nations of this hemisphere who are in Chile's same position will not enable us to wait much longer before going to them frankly in the matter and informing them as we did Chile; and (3) our strong preference is to continue as energetically and rapidly as possible to get all of the republics concerned into the United Nations. It is strongly felt here that no special envoy should be sent to Washington at this time, owing to the fact that the problem is well known in Santiago and there is little that could be accomplished here. The scene of action is rather Santiago than Washington.

Please again see Fernández or the President or both of them, if you consider this best, restating the formula discussed at Viña Del Mar,⁶² i.e. the Lima and Panama declarations,⁶³ aggression against one being aggression against all, the fact of aggression, the breaking of relations, the statement by Ríos that this was tantamount to war, and the positive acts which Chile has taken against the Axis which do constitute acts of war. Please suggest to them that the formula might be even more acceptable if it were put up to Congress and the people

⁵⁹ Joaquín Fernández Fernández, Chilean Minister for Foreign Affairs.

⁶⁰ Reference is to Chile's entry into the war and adherence to the United Nations Declaration.

⁶¹ Juan Antonio Ríos Morales.

⁶² Summer residence of President Ríos.

⁶³ See Department of State, *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), pp. 189-190. For information on the First Meeting of the Ministers of Foreign Affairs of the American Republics, held at Panama, September 23-October 3, 1939, see Department of State *Bulletin*, October 7, 1939, pp. 321-334.

with emphasis on Chile aligning itself formally with the United Nations and softpedaling the declaration of a pre-existing state of belligerency as only a formality in connection with this membership. Good use can be made of argument that action will speed conclusion of war. Please also make such use as you can of the French signature which was fixed at an impressive ceremony held here on January 1. (See radio bulletin.) You should say that we still have hope that Chile will find it possible to take this initiative and feel that this is much the better way of handling the situation. It is to be recalled that Chile has already had a month in which to consider its course of action. To wait longer might well place us in an untenable position vis-à-vis the other governments. If the Foreign Minister or the President answer that they will take the initiative, we would naturally give them a reasonable additional time in which to do this on the understanding that the matter would move as rapidly as possible. If, however, they are unable to assure you that the initiative will be taken promptly, we are sure that they will agree that we owe it to our sister republics frankly and fully to inform them of the predicament in which all of us are likely to find ourselves. I am sure that in making clear this latter point our Chilean friends will understand that we would go forward on this alternative basis only with great reluctance and that they will fully understand the reasons why we must do so.

Please express to Fernández or the President our deep gratitude for the friendly and cooperative manner in which they have dealt with us in this important matter, our firm confidence in them, and in particular express our thanks and admiration for the strict confidence in which the subject has been held.

I hope that we may have a favorable reply from you before the end of the week.

STETTINIUS

740.0011 EW/1-1045 : Telegram

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

WASHINGTON, January 12, 1945—2 p. m.

41. Reurtel 44 of January 10, 4 p. m.⁶⁴ Please tell Fernández that we appreciate the careful attention which he has given to this matter and that we are proceeding to consult the other five "Associated Nations".⁶⁵ You should also say that if, at any time during our discussions with the other republics on this subject, Fernández wishes to move forward on his own account, we should greatly appreciate word from him. It is still very much hoped that, despite the fact we

⁶⁴ Not printed.

⁶⁵ Ecuador, Peru, Venezuela, Uruguay, and Paraguay.

are taking the matter up with the other republics, Chile will see its way clear in its own interest to move forward. Careful consideration has been given to the suggestion that this matter be treated at the forthcoming Conference in Mexico.⁶⁶ However, the time element is such that we do not feel we can further delay direct approaches.

GREW

740.0011 EW/1-2645

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

No. 4697

WASHINGTON, January 26, 1945.

SIR: I refer to the Department's secret telegram no. 41 of January 12, concerning the importance of Chile's formalizing its status by becoming a member of the United Nations. This matter is taking on added importance and, in order to present the need for early action and make his own stand clear and unequivocal, the President has considered it best to address personal letters in the premises to the Presidents of the six American republics concerned.

The letter addressed to the President of Chile is enclosed and you are requested to deliver it immediately to President Ríos. A copy is likewise attached for your secret information. Similar presentations are being made at Quito, Lima, Caracas, Montevideo and Asunción.

I wish to underline the fact that the highest importance is attached to Chile's taking this step at the earliest possible date. I am confident that you will present the matter urgently and at the same time in its proper perspective.

Please submit a telegraphic report as soon as possible.

Very truly yours,

JOSEPH C. GREW

[Enclosure]

President Roosevelt to the President of Chile (Ríos)

MY DEAR MR. PRESIDENT: I want to take this opportunity to tell you how tremendously helpful the generous contributions of Chile have been toward bringing the war against our enemies to its present stage. At this time all of us need to be thinking increasingly of the basic arrangements which will have to be made for the establishment, after the defeat of the enemy, of a lasting peace based upon a formal and permanent organization.

As you are of course aware, the creation of such an organization has already been extensively discussed and the time is rapidly

⁶⁶ For documentation on this Conference, see pp. 1 ff.

approaching for the taking of far-reaching steps looking toward agreement at a full conference upon a definitive charter for a world security organization. In this connection the concept of the United Nations, as a symbol of unity for peace and progress and the juridical framework for the joint action of the peace-loving nations in the organization of the peace, as well as in the conduct of the war, is daily acquiring greater concreteness and importance.

At recent United Nations conferences there were representatives of nine nations, participating in the war but not signatories to the United Nations Declaration.⁶⁷ Of these, one (France) has since changed its status by formally adhering to that Declaration. Of the remaining eight Chile is one. With the growing crystallization of the concept of the United Nations it is being increasingly urged that invitations to the coming United Nations Conference on world security organization should be limited to those nations which are signatories of the United Nations Declaration.

I consider it of the utmost importance that Chile which has contributed so much should sit in full membership at this Conference as one of the United Nations. I therefore take the liberty of bringing these considerations urgently to your attention and venture to suggest that your government may wish to consider the desirability of formalizing its present position by taking the necessary steps to becoming a signatory of that Declaration.

With kindest personal regards,

Very sincerely yours,

[FRANKLIN D. ROOSEVELT]

740.0011 E.W./2-245 : Telegram

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

SANTIAGO, February 2, 1945—4 p. m.

[Received 6:35 p. m.]

160. Foreign Office has sent me 9-page *aide-mémoire* deprecating press use of the descriptive term "united and associated American nations." (See Department's 41, January 12.) By juridical argument it seeks to prove (a) that all the adherents to Resolution XV of Habana,⁶⁸ having abandoned neutrality for non-belligerency, are in defensive alliance with the American power attacked; (b) that among them no distinction should be made between those which have declared war

⁶⁷ Dated January 1, 1942, *Foreign Relations*, 1942, vol. i, p. 25.

⁶⁸ Resolution for Reciprocal Assistance and Cooperation for the Defense of the Nations of the Americas, included in the Final Act of the Second Meeting of the Ministers of Foreign Affairs of the American Republics, held at Habana, July 21-30, 1940; for text of Resolution, see Department of State *Bulletin*, August 24, 1940, p. 136.

and those which have fulfilled their obligations by breaking relations, instituting controls, contributing materials, et cetera; and (c) that the term "associated nations" smacks of Versailles ⁶⁹ and is outmoded by existing relationship among the American States.

I am forwarding copy ⁷⁰ by pouch and shall not telegraph text unless so instructed.

BOWERS

740.0011 E.W./2-445 : Telegram

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

SANTIAGO, February 4, 1945—9 p. m.

[Received February 5—1:46 a. m.]

169. Fernández called me this evening much concerned over a United Press cable quoting the *Herald Tribune* as saying Roosevelt has sent telegrams to the six American Republics that have not declared war asking them to do so and saying that unless they do they will not have seat at the peace table. He asks me to ascertain positively if this is true. He reiterates his suggestion that desired action can probably be brought about through action at Mexican Conference and thereby save the countries involved from internal criticism and attack for this late action. He urges it would be most advantageous to have action taken as result of a discussion among all-American nations in Mexico rather than have it appear, as our enemies would say, "this was Yankee pressure". Please reply promptly.

BOWERS

740.0011 E.W./2-445 : Telegram

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

WASHINGTON, February 5, 1945—6 p. m.

118. Because of security considerations, it is unfortunate that your no. 169 of February 4, 9 p. m., was not sent in secret code.

You should by now have received the Department's instruction no. 4697 of January 26, transmitting a letter from President Roosevelt for delivery by you to President Ríos. Similar letters were sent to the Presidents of Venezuela, Ecuador, Peru, Uruguay and Paraguay. You will have seen from the press that Ecuador has declared the existence of a state of war with Japan. Ecuador decided to take this step before the receipt of President Roosevelt's letter.

⁶⁹ Treaty of Peace Between the Allied and Associated Powers and Germany, signed at Versailles, June 28, 1919, *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, p. 55. The preamble to this Treaty listed "the Principal Allied and Associated Powers", followed by a list of the other "Allied and Associated Powers".

⁷⁰ As enclosure to despatch 11606, February 2; not printed.

The Department does not wish to have this matter thrown into the Mexico City discussions. For your information and for communication in secret to Fernández several other of the American republics appear to be on the point of taking action similar to the step taken by Ecuador.

In reply to press inquiries the Department has consistently replied that it has "no comment" to make on the *Herald Tribune* story. We are not admitting the existence of the letters.

GREW

740.0011 EW/2-545 : Telegram

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

SANTIAGO, February 5, 1945—11 p. m.

[Received February 6—4:30 a. m.]

184. For Grew and Rockefeller.⁷¹ Department's instruction 4697, January 26. Some papers here interpreting the *Herald Tribune* leak as a threat have carried rather nasty editorials, and this morning Fernández was in such a state of excitement over what he appears to think has made his position untenable that he talked of the possibility of his resignation with unaccustomed warmth. He said that that sort of thing implies a strange ignorance of Latin American psychology. He thinks the State Department should issue a statement correcting the popular impression that we have threatened any American nation, no matter how much it has consistently contributed to the cause of the United Nations, with exclusion from the peace conference unless it declares war now on the Axis. He can think of no reason why instant action is necessary and why the matter could not better be attended to in the Mexican Conference. This morning it seemed not improbable that he might resign. This afternoon he had considerably cooled off. He thought it would be politically stupid for the Government to inject a war declaration into a congressional debate, in the midst of a bitter political campaign since it would strengthen our enemies and weaken our friends. Senators for political reasons would not support the Government on a war declaration during the campaign who probably would afterwards. (2) But having read the President's letter he finds that what is asked of Chile to qualify for an invitation to the coming United Nations Conference is that she should be a signatory of the United Nations Declaration. He thereupon in my presence sent for a Spanish copy of the Declaration and having read it carefully said he could see no reason why Chile cannot sign it and thus qualify. On each of the two points in the Declaration Chile already is acting and has for a long time. She certainly is giving

⁷¹ Nelson A. Rockefeller, Assistant Secretary of State for American Republic Affairs.

her full economic resources against the Tripartite Pact and she has long been giving her full possible military resources by patrolling and protecting 2,000 miles of Pacific coast with her naval vessels that are under orders to fire on any Axis vessel or submarine found in these waters. He will discuss this with the President tonight and I shall see him at 11 in the morning. The President asks me to see him at Viña at 8 o'clock tomorrow night.

BOWERS

740.0011 EW/2-545 : Telegram

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

WASHINGTON, February 6, 1945—6 p. m.

122. Reurtel 184, February 5. As was made clear to Fernández and the President while Wright was in Chile,⁷² to become eligible for adherence to the Declaration by United Nations a nation must be, in the terms of the Declaration, "at war" with Germany or Japan or both and "rendering material assistance and contributions" in the struggle. We are fully aware that Chile is rendering material assistance and contributions of a nature to permit adherence if Chile should enter into a state of war. If Fernández will read the Declaration carefully, he will realize that to become eligible for adherence a nation must be in a status equivalent to being "at war".

This has been a requirement for admission during the 3 years of the life of the Declaration and the United States, as but one of the 36 United Nations, cannot change that requirement. The other American republics concerned appear definitely to understand the situation and are proceeding accordingly. When the ceremony is held on February 14 two or three of these republics will probably by then have qualified themselves to sign the Declaration.

Please bring the above clearly to the attention of Fernández and the President in order that there may be no misunderstanding on their part.

GREW

740.0011 EW/2-745 : Telegram

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

SANTIAGO, February 7, 1945—2 p. m.

[Received 10:12 p. m.]

194. Last night, in accordance with my telegram No. 185, February 6, 2 p. m.,⁷³ I went to Viña where I was received by President Ríos

⁷² For information related to the mission to Chile of James H. Wright, Chief, Division of North and West Coast Affairs, see despatch 1888, December 5, 1944, 8 p. m., *Foreign Relations*, 1944, vol. VII, p. 691.

⁷³ Not printed.

and handed to him President Roosevelt's letter. He had already been informed of its contents and said that if agreeable to the Department, he would instruct Fernández to leave for Washington on Sunday the 11th with full powers to sign the Declaration of the United Nations. I told him that I would inform my Government.

I received your No. 122 of February 6, 5[6] p. m. this morning and have just seen Fernández who repeated the message as given me by the President. He explained that after he had signed the United Nations Declaration, the President would send a message to Chilean Congress requesting ratification this signature. Fernández said that this is the correct legal procedure in the case of treaties, et cetera, and would be the correct procedure in this case. He is confident that Congress will ratify his signature and that this signature is a declaration of war in view of the terms of the United Nations Declaration. After signing Fernández would proceed to Mexico to join the Chilean delegation and at conclusion of meeting would return to Chile to answer any questions in Congress in defense of his signature of United Nations Declaration. Asked how long present Congress would last, he said that though elections were scheduled for March 4 the present legislators would continue in office until May 21.

I handed Fernández a memorandum embodying terms of Department's above mentioned telegram 122 and pointed out that as Wright had made clear in order to become eligible for adherence to Declaration of United Nations a nation must be in a status equivalent to being "at war". Fernández pointed out that the President's letter did not state this and I repeated Department's assertion that this point was made clear in our previous discussions and that memorandum which I had just handed him embodying the sense of Department's 122 made this point quite clear. I promised him that I would, however, at once inform Department of foregoing.

Fernández called attention to statement in President Roosevelt's letter that matter was extremely urgent. He said he would be most grateful if Department could give him some indication as to when United Nations' conference on world security organization mentioned in President Roosevelt's letter would take place since this information would greatly help him in his tactics with the Chilean Parliament. For example, if Department could state that meeting would not take place before a certain date that would in itself be very helpful. Accordingly, a most urgent reply on this point would be greatly appreciated.

Fernández said that he is confident that with the approach outlined in paragraphs 1 and 2 above there is not the slightest doubt that Congress would ratify his signature and that his signature constituted a declaration of war and that ratification by the Congress would constitute ratification of the existence of a state of war.

Fernández again pointed out as previously stated that President Roosevelt's letter clearly asked for one thing, the signing of the Declaration of the United Nations.

As explained in my several telegrams on the subject the political situation is such, particularly due to the elections which are now only 4 weeks off, that it is impossible for Chilean Government to announce a declaration of war before signing United Nations Declaration. Since it would be absurd for American countries dictatorial, semi-totalitarian and even pro-Fascist in some cases to be invited to a United Nations meeting at conclusion of a war for democracy and the strongest functioning democracy in South America to be excluded, I believe it would be wise and expedient to accept what it is possible to obtain immediately particularly since it complies with request contained in President Roosevelt's letter.

I should be very grateful for the most urgent and sympathetic consideration to the proposal of President Ríos and Señor Fernández and an answer tomorrow if possible.

BOWERS

740.0011 EW/2-745 : Telegram

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

WASHINGTON, February 8, 1945—1 p. m.

127. Personal from Rockefeller. Please tell the President and Fernández how gratified we are that President Ríos contemplates having Fernández proceed to Washington on February 11 to sign the United Nations Declaration. It is most important, however, that you immediately tell the President that, while we are very eager to have Fernández come here as planned and to have him sign the Declaration, this would only be possible if Chile were in a position prior to the signature to address to this Government a formal communication stating that Chile is "at war". As you point out in your telegram 194, Wright made this clear on many occasions while he was in Santiago and it has been repeated in subsequent telegrams. Our Chilean friends must understand that the United States is simply the depository for the United Nations Declaration and that as such we cannot admit any nation to signature without conformity to rules based on the wording of the document itself. It is indispensable that we have a clearcut statement before any country may sign. It would be impossible to have an *ad referendum* signature as suggested by Fernández.

For your own background, we are much pleased at the progress which has been made in Chilean thinking in the last 2 or 3 days. It is earnestly hoped that, after you present this matter again in its

proper perspective, our Chilean friends will see their way clear to make themselves eligible for signature.

For your confidential information, President Roosevelt's letter purposely did not mention a declaration of war as such action could only come on Chile's own initiative. It was already clear, however, that when he spoke of membership in the United Nations this presupposes a state of war.

We do not yet know when the conference on world security organization will be held but we earnestly hope that it can take place as soon as possible after the Mexico City conference. [Rockefeller.]

GREW

740.0011 EW/2-845 : Telegram

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

SANTIAGO, February 8, 1945—6 p. m.

[Received 11:25 p. m.]

199. Foreign Minister has just inquired whether any reply had been received to Embassy's telegram of yesterday and he was informed that though no reply had yet reached the Embassy we were informed by Department by telephone that one was on the way. He said that he particularly wanted some indication when the United Nations Conference on World Security Organization mentioned in President Roosevelt's letter would take place. He was informed that Embassy would get in touch with him immediately it had any information on subject from Department.

Fernández then stated he had just consulted President Ríos who had agreed to present to Congress a request for the declaration of war on Japan immediately Fernández returned from Mexico City since it was absolutely necessary for Fernández to defend this measure before Congress.

Fernández said that he was also telegraphing Mora ⁷⁴ concerning this matter asking for assurance that United Nations Conference would not be held before that time. Should it not be possible to obtain this assurance Fernández said he could not go to Mexico and gave for his reason that he might have to defend the Government's policy before Congress. He indicated that should the Conference be held and Chile not be eligible he would be held responsible for neglect.

Fernández made no reference to his and Ríos' proposal transmitted my telegram 194, February 7, 2 p. m. and there seems no doubt that he and Ríos have abandoned this. In this connection Pablo Ramírez ⁷⁵

⁷⁴ Marcial Mora, Chilean Ambassador in the United States.

⁷⁵ Official of the Chilean Ministry for Foreign Affairs.

told Embassy that he had strongly advised Fernández against this course and Ramírez was with the Foreign Minister during this afternoon's conversation.

Needless to say I greatly prefer the straightforward solution of putting the matter up to Congress. I feel most strongly that the manifest advantages of making Chile one of the United Nations might well be taken into our calculations in considering the appropriate date for the above mentioned United Nations Conference.

In brief therefore Fernández' policy has to be determined by the date of the Chilean elections and the date of the United Nations Conference. His proposed strategem reported in my above mentioned telegram No. 194 in which Department expressed its disapproval in its 122 of February 6, 5 [6] p. m. originated largely from the admonition of urgency contained in President Roosevelt's letter. If therefore I can give Ríos and Fernández the definite assurance that Chilean Government will have possibility of pushing a declaration of war through Congress before United Nations Conference we will in all probability have solved our problem at one stroke.

BOWERS

740.0011 E.W./2-945 : Telegram

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

SANTIAGO, February 9, 1945—5 p. m.

[Received February 10—2:30 a. m.]

201. Last night Fernández was informed briefly of the points of Department's 127, February 8, 1 p. m. and appointment was made to see him today at 12:45 when full substance was conveyed to him.

Fernández pointed out that declaration of war would have to pass both Senate and House and debate could conceivably be prolonged throughout March though he hopes it would not. He said the only problem which has remained was the date of United Nations Conference and Mora also was taking this up with Department. Mora had just telegraphed that President Roosevelt wanted United Nations Conference to take place as soon as "Big Three" conference^{75a} is concluded. Embassy again pointed out the Department (above mentioned 127) stated that Conference would not take place until after meeting at Mexico City.

It seems clear that given Department's telegram under reference and Embassy's 199, February 8, 6 p. m., the solution of this problem depends entirely on fixing a satisfactory interval between the return of Fernández from Mexico after Chilean elections and date for proposed United Nations Conference on World Security. Though Chile's position was set forth in Embassy's above mentioned 199, mat-

^{75a} The Yalta Conference, January 30–February 11, 1945.

ter is so important that I venture to review the situation at risk of laboring the point:

We have at last got Chile committed to declare war on Japan and while I do not doubt that Chilean Government intends to go through with its commitment I think it would be most unfortunate if we gave Chile any conceivable pretext for changing her mind. I cannot too strongly recommend therefore that we give Fernández the assurance he requests that United Nations Conference will not be held until he has had time to return to Chile and the Pres[ident] time to present to Congress a message requesting a declaration of war on Japan.

I think it would not be possible to convince Chile that we are unable to hold up the United Nations Conference for a reasonable length of time. Fernández has already intimated that we have not given American countries adequate consideration and that he feels we are too prone to give ground before the demands of the great powers at expense of interests of other American Republics.

Fernández strongly feels his personal responsibility in bringing Chile into the world security organization on an equal footing with the United Nations, [apparent omission] or presenting question of war to Parliament on eve of a national election.

He has stated he will not assume responsibility under first alternative and second alternative is so unpleasant that Department may be quite sure that all the blame will be carefully placed upon the United States and that in addition to anti-United States elements we will have Chilean Government outdoing opposition in piling the blame upon us.

It is for this reason Fernández said that should the Department be unable to give him the definite assurance outlined in my above mentioned 199 he could not leave Chile for Mexico. This in itself would be a most unfortunate first step toward what may prove to be a very serious disintegration in our relations with Chile.

Presumably by the time that elections are past and Fernández has returned from Mexico most or all of the other five American Republics on Department's list will have declared war. Rumors are rife that it is under consideration and I think that by the time matter can be presented to Congress public opinion will have been amply prepared and what is more important Fernández feels confident that he will have little difficulty in putting the declaration of war through Congress.

BOWERS

740.0011 EW/2-945: Telegram

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

WASHINGTON, February 10, 1945—6 p. m.

138. Reurtel 201, February 9, 5 p. m. We are pleased to know that Chile in its own interest has decided to declare war on Japan.

You will realize that it is impossible for us to indicate any definite date for the proposed United Nations Conference as some 35 nations are concerned. On this point we have no information to add to that in the last paragraph of our 127 of February 8. We cannot give Fernández the assurance he requests. In making plans for the immediate future doubtless he will want to keep in mind the need for Chile to act as speedily as possible.

GREW

740.0011 E.W./2-1045 : Telegram

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

WASHINGTON, February 10, 1945—9 p. m.

142. The Foreign Office telegraphed Mora the President's view that Chile should be able to sign the United Nations Declaration upon the execution of some suitable formula which the President could issue in the form of an official declaration. Mora has consulted the Department fully and has now prepared and telegraphed to Chile a draft statement which we now believe will be sufficient. This statement after three preliminary paragraphs concludes with the declaration that "in accordance with the foregoing and within the constitutional framework the President of the Republic recognizes the fact of existing belligerency between Chile and Japan. There is being drafted an appropriate bill for presentation to Congress."

In addition to the foregoing, we told Mora that it would be necessary that Chile address to the Department a private note saying that this action is "equivalent to war". In this manner the action would be sufficiently similar to the Colombian action⁷⁶ to justify Chile's admission. Of course Mora understands that this private note would not be for publication.

The Department is delighted that Chile's thinking along the lines expressed to you by President Ríos a few days ago has progressed to this extent and desires that you see the Foreign Minister or the President as soon as possible in the matter. If they act quickly it may be possible to have Chile present at the February 14 ceremony.

GREW

740.0011 E.W./2-1445

The President of Chile (Ríos) to President Roosevelt

TC-9453

SANTIAGO, February 14, 1945.

DISTINGUISHED MR. PRESIDENT: I have read with particular interest your recent letter, to which I now make reply and in which Your

⁷⁶ For documentation on the entry of Colombia into a state of belligerency with Germany and adherence to the United Nations Declaration, see *Foreign Relations*, 1943, vol. VI, pp. 1 ff.

Excellency suggests to me the suitability of consideration being given, as soon as possible, to a decision on Chile's part to become a signatory to the Declaration by the United Nations dated January 1, 1942.

In the said letter Your Excellency is good enough to mention the appreciation and value which have been given to the contributions and measures adopted by the Government of Chile, into which the latter Government has translated its positive desire for collaboration with the cause of the United Nations. Your Excellency also emphasizes the transcendental steps that are to be taken to formulate a definitive Charter of the world security organization, an objective in the attainment of which the United Nations are the symbol of coordination and the juridical basis of the progress and common action of peace-loving Nations, both in the conduct of the war and in the organization of the peace.

The Government and people of Chile are in full accord with Your Excellency's views, and I have the honor and pleasure of making this known in my reply.

Your Excellency will be good enough to recall that the Government of Chile, beginning January 20, 1943—that is, since it decided upon the severance of its diplomatic, consular and commercial relations with the Axis countries, has maintained a position of loyal and complete identity of purpose and action with the United Nations; it has adopted all the defensive and economic measures of a State at war, and for that very reason I consider my country to have been in a state of belligerency with the Axis countries since that date.⁷⁷

I appreciate, with the gratitude of my Government and of my people, the timely and appropriate suggestion which you have made to me. I esteem and value it as one coming from your extraordinary experience of the world situation, from the reiterated friendship which you have at all times been good enough to show for Chile and its Government, and from your unqualified adherence to the cause of the Democracies and the future of the dignity, peace and progress of the Nations which have chosen to serve that cause.

The exceptional circumstances of the present hour have induced me, with the unanimous approval of my Council of Ministers, to declare the state of belligerency existing between Chile and Japan and to obtain for such Declaration the sanction of the National Congress as required by our Political Constitution.

In conformity with this decision, the Ministry of Foreign Relations of Chile has today formulated a public declaration which the national press will insert in its columns tomorrow. Likewise, as a measure subsequent to the said constitutional declaration of the President of the Republic, our Ambassador at Washington has been instructed

⁷⁷ For documentation on United States interest in a breach of diplomatic relations between Chile and the Axis, see *Foreign Relations*, 1943, vol. v, pp. 795 ff.

and authorized to sign, in behalf of Chile, the Declaration by the United Nations of January 1, 1942.⁷⁸

I renew to Your Excellency the expression of my gratitude for the special and noble interest contained in your consideration for Chilean Democracy, and for the favorable concepts of your kind letter; I likewise reiterate to Your Excellency my fervent wishes for the early and definitive success of the Arms of the United Nations.

With the expression [etc.]

J. A. Ríos M.

**AGREEMENT BETWEEN THE UNITED STATES AND CHILE DEFINING
THE MILITARY SERVICE DUE BY NATIONALS OF EACH COUNTRY
RESIDING IN THE OTHER**

[For text of agreement, effected by exchange of notes signed at Washington June 7 and June 11, 1945, see Department of State Executive Agreement Series No. 478, or 59 Stat. (pt. 2) 1610.]

**EFFORTS BY THE UNITED STATES TO SECURE THE COOPERATION
OF CHILE IN ELIMINATING AXIS BUSINESS INTERESTS IN CHILE**⁷⁹

740.25112A/1-245

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

No. 11,393

SANTIAGO, January 2, 1945.

[Received January 11.]

The Ambassador has the honor to refer to his despatch No. 11,271 dated December 14, 1944 transmitting to the Department a joint memorandum⁸⁰ submitted by the American, British and Canadian Embassies to the Chilean Controls Commission in regard to the Chilean Controls program and the possibility of reducing the lists in Chile. In reply to said memorandum the Chilean Controls Commission submitted a memorandum to this Embassy dated December 21, 1944. A copy of this memorandum together with a translation are enclosed herewith.⁸¹

The memorandum in reply by the Commission is a summary covering the implementation of the Rio and Washington Conferences⁸²

⁷⁸ For text of notes exchanged on February 12 and 14, 1945, between the Chilean Ambassador and the Acting Secretary of State, on the occasion of Chile's adherence to the United Nations Declaration, see Department of State *Bulletin*, February 18, 1945, p. 231.

⁷⁹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 753 ff.

⁸⁰ Despatch not printed; for text of memorandum, see *ibid.*, p. 786.

⁸¹ Not printed.

⁸² The Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, and the Inter-American Conference on Systems of Economic and Financial Control, meeting at Washington, June 30-July 10, 1942. For documentation on U.S. participation in these Conferences, see *Foreign Relations*, 1942, vol. V, pp. 6 ff. and pp. 58 ff., respectively.

by the Chilean Government which contents in substance has been previously transmitted to the Department by various communications of this Embassy. The memorandum states that the Chilean Government has proceeded to eliminate through its local controls program all those firms or commercial elements which in view of their importance constituted a menace to the cause of the Allied Nations in accordance with international agreements approved by Chile. It is further stated that the respective liquidation decrees supported by specific instructions of the Controls Commission authorizes the liquidators to take direct and complete control and administration of all firms submitted into liquidation; and that, therefore, the entity of all firms subjected to local controls is being completely eliminated; that all of these principal Axis firms are subject to strict supervision of the Government while in the process of carrying out their liquidation.

It is pointed out that the liquidation or forced transfer of various firms is still in process and that a solution of the final disposition of other firms, considered important to the national economy, is under consideration. Nevertheless it is pointed out that these outstanding operations and matters pending a final solution do not in any manner constitute a failure to any degree, in giving a complete implementation to the Rio and Washington Conferences by Chile.

In view of the above it is expressed that the Chilean Government reiterates its statements made to the respective Embassies in its memorandum of last October indicating the desire and hope of the Government that in view of the local control measures adopted, the future existence of the Proclaimed List is made locally unnecessary and for said reason the Proclaimed List should be completely or substantially eliminated in Chile. It is also emphasized that the Government anticipates the complete elimination, at this time, of all names included in Category III attached to the Embassies' joint memorandum of December 14, 1944.

In conclusion and in answer to the three specific questions raised in the Embassies' memorandum, namely :

a) *The policy to be adopted by the Chilean Government with respect to the firms and enterprises listed in Category II.* The Commission indicates that it will proceed against any firms listed in Category II in those cases wherein it can be established that a firm regardless of its nationality is considered as an undesirable firm judged within the Government's established policy as set forth in the memorandum.

b) *The policy which will be adopted by the Commission with respect to trademarks and patents controlled from Axis territory either directly or indirectly.* In reply thereto it is stated that trademarks are considered in the same category as any other assets of the firm, for the purpose of liquidation, and that in carrying out the liquida-

tion of these firms the procedure will be to cancel or transfer to desirable interests those trademarks that are considered essential and which must be continued in operation. In connection therewith there is enclosed herewith a copy of a memorandum⁸⁵ on a discussion between a member of the Embassy staff and Señor Goyeneche,⁸⁴ charged with the liquidation of all firms being liquidated by the Corporación de Fomento, which touches on local plans for disposition of trademarks. Although patents are not mentioned specifically it has been verified that the word "marcas" is inclusive of trademarks and patents.

c) *Regarding the supplying of adequate and current information to the Embassies regarding the progress of the intervention, liquidation or forced transfer of the firms affected.* The Commission's reply stated that they will be pleased to supply all pertinent information concerning the execution of the control decrees issued by the Government.

It is the opinion of the Embassy that until such time as the Commission supplies an up-to-date progress report on an individual firm basis of those firms submitted to control, the Embassy will not be in a position to fully appraise the complete effectiveness of the local control decrees and the specific fulfillment by the local Government of its compromises. Furthermore, it is considered that before a definite commitment can be made for the complete elimination of Category III names, this information must be supplied to the Embassy in order that any relaxation of the Proclaimed List application may be considered by the authorities in Washington commensurate with the actual effective controls applied against the principal Axis firms by the Chilean Government. The British and Canadian Embassies concur in the above. In this connection, representatives of the respective Embassies are meeting this week with the Controls Commission for the purpose of requesting the Commission to furnish the Embassies with a current report concerning the progress of the intervention, liquidation or forced transfer of each enterprise submitted to local control including the disposition of the assets of these firms in accordance with Decree No. 463, the undesirable personnel dismissed and the approximate date that the final supervision of the Government in carrying out this program will be terminated. The current reports should be compiled on an individual firm basis. As soon as this information is received it will be transmitted to the Department in accordance with the Department's Airgram No. A-767 of December 14, 1944.⁸⁵

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Conclusion: In conclusion it may be stated that, with the exception of the irregularities observed, the local controls program is, in gen-

⁸⁴ Gastón Goyeneche, Adviser to the Chilean governmental instrumentality known as the Corporación de Fomento de la Producción.

⁸⁵ Not printed.

eral, proceeding satisfactorily and the local decrees providing for the liquidation or forced transfer of the main Axis-dominated or controlled firms are being substantially carried out in accordance with the provisions and the spirit of the respective controls decrees enacted by the Chilean Government. A number of factors beyond the control of the local Chilean officials have retarded a more expeditious execution of the program adopted; i.e., political counterpressure applied by influential interests subjected to the program, lack of trained and coordinated organization and adequate personnel in carrying out the measures adopted, and the prudence that must be exercised in order that the necessary adjustments may be made in minimizing the repercussions to the economy of the country in the execution of the program. Nevertheless it is the opinion of the Embassy that these factors do not materially detract from the general effectiveness of the local controls program or its final and complete execution.

In view of the above it is suggested that the Interdepartmental Committee on Proclaimed List Matters continue to adhere to its present policy as reflected in the recent Proclaimed List supplements for Chile, in approving a proportionate number of deletions, as provided in penultimate paragraph of the Embassies' memorandum of August 15, 1944 to the Chilean Government.⁸⁶ (See Embassy's despatch No. 10,479 of August 15, 1944.)⁸⁷

740.25112A/2-1445

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

No. 4740

WASHINGTON, February 14, 1945.

The Secretary of State refers to the Department's instruction no. 4729 of February 9, 1945⁸⁶ in which it is stated that the Interdepartmental Committee is prepared to consider the deletion of all or a substantial portion of the names on the Proclaimed List which are now in Category III as soon as adequate data is submitted which will enable the Committee to determine how far the Chilean Government has progressed with the intervention, liquidation and forced transfer of the Category I firms which have been subjected to Decree 463.

Should it be determined that only a portion of the names in Category III will be deleted in the next Supplement, the Committee will then desire to remove from the List the most innocuous names in Category III, thus leaving the more serious cases for possible consideration at a later date. Accordingly the Department has reviewed the data

⁸⁶ Not printed.

⁸⁷ *Foreign Relations*, 1944, vol. VII, p. 776.

available here pertaining to the names in Category III and has arranged such names in the following Groups:

- Group
1. Firms and individuals liquidated, bankrupt or dead.
 2. Cloaks of a minor character.
 3. Cloaks for Category I and II firms.
 4. Firms and individuals dealing with Proclaimed List firms.
 5. Firms and individuals dealing in enemy goods or with enemy territory.
 6. Firms and individuals with Axis sympathies.
 7. Italian Nationals and Fascists.
 8. Firms and individuals engaged in pro-Axis propaganda or other pro-Axis activities.
 9. Miscellaneous
Under this heading have been placed the worst offenders which were formerly classified under headings Nos. 3-8 inclusive.
 10. German Nationals and Nazis.

Under the above breakdown of Category III, the Committee would first consider all of Group I for deletion, continuing with each succeeding Group in its numerical order so that Group X would be the last to be considered.

The underlying objective of the breakdown is to group the names in the order of the seriousness of the offense involved. In arranging the order of the above Groups and in classifying the names thereunder, the Department has been guided by the nature and type of offense indicated by the breakdown as well as by the following considerations:

1. The effect which any particular deletion or group of deletions may have locally on the prestige of the Proclaimed List.
2. In general the most flagrant or important cases which would normally fall in Groups III to VII inclusive and which did not seem to merit a preferred status, were relegated to Group VIII.
3. German Nationals, particularly where it appears that they are Nazis or where there are other derogatory facts in the record, should be the last to be deleted.
4. Minor cases such as those of unimportant cloaks, of isolated cloaking transactions and cases where the purpose of the List has been achieved, should be among the first to be deleted.
5. Ordinarily persons and firms guilty of pure trading offenses should be given preferred consideration over those cases in which political offenses or considerations are involved.
6. Cloaks for Category I and II firms should be deleted only if deletion will not interfere with the local controls program. Also active cloaks for going concerns in these Categories should not be removed.
7. Where a name has only recently been added to the List, consideration should be given to the question of whether the deletion would be premature.

Six copies of the Department's breakdown of Category III are enclosed herewith.⁸⁹ This work is based solely on the Department's records and since the Embassies are in the possession of data and information in many of the cases which has not been transmitted to the Department, the Embassy is requested to immediately review the enclosed grouping of the Category III names in collaboration with the British and Canadian Embassies taking into consideration the factors above indicated, and to make such changes in the listing of the names as seem proper. In performing this work the Embassies are not expected to make fresh investigations in each case but only to utilize such information and data as they presently have available.

In order to expedite the consideration of Category III names, the Department would appreciate receiving the Embassy's comments as soon as possible. The Embassy's reply should be forwarded within 4 days from the receipt of this instruction if possible.

740.25112A/2-1745 : Telegram

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

SANTIAGO, February 17, 1945—1 p. m.

[Received 2:45 p. m.]

233. Department's 81, January 26, 6 p. m. and Embassy's 104, January 23, 6 p. m.⁹⁰ Embassy is reliably informed President Ríos has expressed his complete confidence in Controls Commission, has refused its resignation and indicated full approval of its work. This action should considerably strengthen Commission's position and accelerate completion of controls program.

BOWERS

740.25112A/3-2045 : Telegram

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

WASHINGTON, March 26, 7 p. m.

240. There has been no change in policy. Chilean delegates referred to in your 347, March 20,⁹¹ were informed that approximately 300 names would be deleted in last Supplement on the basis of progress made in the nationalization program and that additional deletions would be considered if and when satisfactory evidence of additional progress was received.

⁸⁹ Not printed.

⁹⁰ Neither printed.

⁹¹ Not printed; it indicated that Chilean delegates at the Mexico City Conference had received the impression that the Proclaimed List, as it applied to Chile, would soon be withdrawn (740.25112A/3-2045).

Chilean Embassy in London has suggested to British that Statutory List ⁹² is no longer necessary in Chile in view of current status of Chilean controls. Department has agreed with the British Embassy here that a suitable reply to the Chilean Embassy would be to the effect that the action taken by the Chilean Government has already been followed by the deletion of a substantial number of names from the Statutory List and that British Embassy at Santiago is cooperating with the Chilean Economic Control Commission and the United States Embassy regarding remaining steps to be taken in completion of measures undertaken by the Chilean Government. Department has not been approached by Chilean Embassy here.

Please cable final recommendations concerning Group 9 deletions in forthcoming Supplement and forward promptly recommendations concerning meritorious cases in Category 4 and in Group 10 which may be considered for deletion in succeeding Supplement.

GREW

740.25112A/5-2445 : Telegram

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

WASHINGTON, June 13, 1945—3 p. m.

459. Urtel 729, June 6.⁹³ Committee ⁹⁴ will reduce to hard core July 20 supplement. Forthcoming supplement of June 22 will contain only names listed in Records of Action May 14, May 29, June 1 plus 13 names listed in urdes 12,159, May 24.⁹⁵ Cable concurrence.

Therefore, important you obtain satisfactory assurances as soon as possible that replacement program will be completed, also that enterprises will not be returned to former owners. Speak to Chileans about hard core on tentative basis since size and composition not yet decided.

You may wish to inform Chileans:

- (1) Reduction to hard core in July possible if assurances recd.
- (2) We continue attach great importance replacement program recently reaffirmed in Mex Resolution XVII.⁹⁶
- (3) That we do not intend to return property vested by our APC ⁹⁷ formerly owned by German or Jap "enemies" as defined in Trading with Enemy Act ⁹⁸ or the proceeds resulting from sale such property,

⁹² British equivalent of the Proclaimed List.

⁹³ Not printed; in it the Embassy urged postponing a reduction of the Proclaimed List to hard core offenders and suggested that this action be taken only if Chile provided assurances that the program would be completed (740.00112A/6-645).

⁹⁴ Interdepartmental Committee on the Proclaimed List.

⁹⁵ Not printed.

⁹⁶ For text of Resolution, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 55.

⁹⁷ Alien Property Custodian.

⁹⁸ 40 Stat. 411, and as amended by the First War Powers Act, 55 Stat. 839.

the plan being to offset this property against American claims. This info should be given informally. Report approx amount Chilean claims against Germany and value of German enterprises which have been eliminated.

(4) Completion of elimination program will facilitate compliance by Chile with Mex SAFEHAVEN Resolution XIX.⁹⁹

(5) No definite decision reached on disposition German overseas assets remaining after satisfaction of claims of local Govt.

Requested by Brit Emb here that your Brit colleague be informed.

GREW

740.25112A/6-1645: Telegram

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

SANTIAGO, June 16, 1945—11 a. m.

[Received 3:23 p. m.]

808. Urtel June 13.¹ Embassy agrees procedure for reducing list to hard core. British concur.

US and British tentative hard core list containing approximately 480 names submitted to Controls Commission. Chileans in general agreement to retention hard core indefinitely with exception few Chilean nationals. Tentative list being submitted to Dept.

View practical completion local replacement program and Chilean Govt's. recent assurances for final winding up program within month deletion of intermediate class contained my June 5 despatch² may be safely effected July 20 without adversely affecting our future economic warfare policy.

BOWERS

740.25112A/7-3145

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

[Extract]

No. 12,525

SANTIAGO, July 31, 1945.

[Received August 18.]

SIR: I have the honor to bring to the attention of the Department the situation existing in Chile in connection with the distribution of American products by firms controlled or strongly influenced by persons having strong pro-German tendencies.

As the Department is aware, many commercial companies in Chile are still controlled by persons of German origin and with reputed

⁹⁹ Resolution on control of enemy property; for text, see *Final Act of the Inter-American Conference on Problems of War and Peace*, p. 55.

¹ *Supra*.

² No. 12224, not printed.

pro-German tendencies. Many other large Chilean companies, controlled by native Chileans, have specialized for years in representing German firms and distributing German products. Naturally, the ties between such Chilean firms and their principals in Germany were very strong. The influence of both types of companies in the business life of Chile was, and still is, powerful and extensive. Most of the larger companies have national systems of distribution while some of the smaller local companies have long-established connections, and an excellent business reputation, in the areas where they operate.

Companies of the type referred to above may be divided into three categories:

- (a) Those which were placed on the Proclaimed List and which will be retained under the "hard core" policy;
- (b) Those which were placed on the Proclaimed List but subsequently removed; and
- (c) Those which were not placed on the Proclaimed List because of insufficient evidence of their pro-German activities.

Companies in the first category are not within the province of this despatch. They are under strict control and, so long as that control is continued, their activities will not be detrimental to the interests of the United States. Companies in the other two categories present an entirely different problem.

The problem presented by large companies controlled by native Chileans but with a history of close German associations is illustrated by the case of one of the largest machinery houses in Chile, S.A.C. Saavedra, Benard. This company was not on the Proclaimed List. Before the war, it represented a few American companies but its principal business relations were with some of the largest German machinery manufacturers. Over a period of years prior to the war the company acquired German technicians, many of whom are still employed. Most of its branches in southern Chile are today managed by persons of German extraction and employ many other persons of the same extraction. The company is financially strong, very well organized, and has an excellent business reputation throughout the country.

When the war began, Saavedra, Benard dropped its German connections and began to concentrate on its American lines. . . .

This company now represents thirteen American firms and has made tentative arrangements for the acquisition of at least nine additional American agencies. The general manager of the company, in conversation with officials of the Embassy, has avowed his complete disinterest in representing German products in the future and has indicated his desire to concentrate on the distribution of American products. Under present circumstances there is no reason to ques-

tion the sincerity of his statements. However, it should not be overlooked that the increased business of this company, through its representation of American products, will directly benefit persons of German extraction who are still employed by the company, some of whom, as branch managers, occupy positions of considerable importance in various business communities, particularly in the south of Chile.

The company recently was high bidder for the blocked assets of the German firm of A.E.G. This recent acquisition will considerably increase its importance and activities. . . .

The foregoing comments concerning Saavedra, Benard could be repeated with respect to other companies in Chile, of equal or lesser importance, some of which have been on the Proclaimed List but have been removed therefrom.

The problem of pro-German, or previously pro-German firms, is not localized in Santiago or Valparaiso, although it exists there to a considerable extent. The problem assumes much more serious importance in the southern part of the country where the largest number of persons of German extraction, or with pro-German sympathies, reside.

According to reliable reports which have reached the Embassy, a large proportion of the German businessmen in southern Chile have endeavored, since the time when the defeat of Germany was a foregone conclusion, to make themselves as inconspicuous as possible. Many of them have, at least temporarily, divorced themselves from active business pursuits, and have even curtailed their social activities. Their efforts to be inconspicuous have appeared to be part of a preconceived plan. Remarks attributed to some of these persons strongly suggest that they are only awaiting an opportunity to resume their former important business activities. Some have been quoted as saying that they recognize that, at least for the time being, their ties with Germany and their opportunity to sell German merchandise have disappeared but that, within a comparatively short time, a large volume of American merchandise will enter the Chilean market and an opportunity will again be presented for them to engage actively in business in American lines. In other words, they are looking forward to the opportunity of using connections with American companies, or the proceeds derived from the distribution of American products, to re-establish themselves in their communities both with regard to their personal finances and to their business influence.

Despite the lack of tangible evidence of pro-Nazi sympathies and activities on the part of many of these individuals, there is no reason to believe that they have suddenly acquired a feeling of friendship for the United States or that, if the proper opportunity presented itself, that they would not again lend their sympathy and support to

anti-American activities which might be fostered by German interests operating in Germany or elsewhere.

Respectfully yours,

CLAUDE G. BOWERS

462.00R/9-1345

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

No. 12,760

SANTIAGO, September 13, 1945.

[Received September 27.]

SIR: The Ambassador has the honor to refer to the Department's telegram dated August 28, 1945,³ on the general subject of war claims for reparations from Germany. The text of the Department's instruction on the subject has been transmitted to the Foreign Office in the Ambassador's note no. 2726 dated September 12, 1945, which reads:

"The Ambassador of the United States of America presents his compliments to His Excellency, the Minister for Foreign Affairs of Chile, and avails himself of this opportunity to convey to His Excellency's government the text of a communication recently received from his government.

"In connection with the general subject of war reparations to be made by Germany, identical memoranda were recently presented by the United States, the United Kingdom, and France to the Yugoslavian, Union of South Africa, Norwegian, New Zealand, Netherlands, Luxemburg, Indian, Egyptian, Greek, Danish, Czechoslovakian, Canadian, Belgian and Australian missions asking those latter named countries to submit data not later than October 1, 1945, covering their war claims against Germany. Information was also requested as to German assets and their values which are now subject to the control of those countries.

"My government has requested that Your Excellency's government be informed that the reason for not including the American republics in the invitation is the belief that the disposal of German assets in the Western hemisphere should be the subject of preliminary discussions among the American republics, as provided under resolutions nos. 18 and 19 of the recent Mexico City Conference.

"It was furthermore believed that the problems of the nations devastated by the war, whose claims will without doubt exceed the amount of German assets under the control of those nations, are very different from the problems of the American republics. The nations devastated by the war will have to have assets from Germany itself in order to arrive at partial satisfaction of their claims. On the other hand, the claims of the American republics, in the majority of cases, can be fully satisfied from the assets which are already subject to their control.

"The Government of the United States very soon will propose inter-American discussions with the goal of establishing principles rela-

³ Not printed.

tive to legitimate claims against the assets of Germany and for the disposition of the assets of Germany which are in excess of the legal claims in line with the needs for rehabilitation and reconstruction of the countries which were devastated by the war.

"The Ambassador of the United States of America avails himself of this opportunity to renew to His Excellency, the Minister for Foreign Affairs, the assurance of his highest and most distinguished consideration."

The Controls Commission, charged with the administration of Axis assets, indicated informally to the Embassy that they were pleased to learn that the United States Government was proposing inter-American discussions on the subject of establishing principles relative to legitimate claims against Germany. The Commission further indicated that the final disposition of German assets in Chile would be held in abeyance pending the inter-American discussions.

740.25112A/10-445

The Chargé in Chile (Millard) to the Secretary of State

No. 12,863

SANTIAGO, October 4, 1945.

[Received October 11.]

SIR: I have the honor to refer to my Despatch No. 12,624 dated August 14, 1945,⁴ and other Embassy communications touching on the subject of the disposition of enemy patents and trade-marks and to report the latest developments on the subject.

At a recent meeting of the Chilean Controls Commission with representatives of this Embassy called for the purpose of discussing certain economic control matters, the Commission proposed the following policy in disposing of the Axis trade-marks and patents registered in Chile.

All Axis trade-marks would be vested by the Government and divided into two categories for the purpose of their disposition, as follows:

Category I—Trade-marks which definitely connote a German influence or origin in the local market i.e. "Merck", "Bayer" Bayer Symbol "X" (cross).

Category II—Axis trade-marks which do not convey their origin and are not identified in the public mind with any specific manufacturer although representing products previously manufactured under German trade-marks by the German firms in liquidation.

The Chilean Government proposes in accordance with the policy of eliminating from the commercial life in Chile all Axis influence, to deny future exploitation of the trade-marks within Category I;

⁴ Not printed.

however, it would permit the exploitation of Category II trade-marks by Chilean firms exploiting the trade-marks as national trade-marks and labelling the Chilean origin of the products.

The specific trade-mark "Bayer Adalina" is singled for the purpose of illustrating the operation of the proposed policy as outlined above; the word "Bayer" and the Bayer symbol "X" (cross) would be abolished immediately; however, the word "Adalina" would be made available to Chilean firms for exploitation. The "Adalina" product would be exploited as the national trade-mark properly indicating the Chilean origin of the product.

The Chilean Controls Commission maintains that the local exploitation of the former Axis trade-marks under this policy eliminates the German control and influence of the product, but nevertheless, permits that the good will represented by those trade-marks not connoting a German origin accrue to the benefit of the local pharmaceutical and drug industry.

It appears that the underlying reason in formulating the exploitation of former Axis trade-marks classified under Category II is that a number of prominent politicians and capitalists, among whom figure Guillermo del Pedregal and Juan Yarur of the Yarur textile mill, etc., are desirous of forming a local pharmaceutical drug enterprise, jointly with American capital and "know how", to exploit this field. This venture is still in the speculative stage inasmuch as no definite contact has been made with an American industry to the best knowledge of the Embassy. This group has applied pressure on the Controls Commission in order that a favorable policy will be adopted by the Government permitting the exploitation of the former Axis trade-marks in a modified form.

The Controls Commission has recently submitted a Memorandum to this Embassy, the British and the Canadian Embassies outlining the policy of the Chilean Government on this subject and requesting the Embassies' views.

There is enclosed herewith, copy of the Commission's Memorandum together with a translation thereof.⁵

By way of background there is also enclosed a copy of the Minutes of the Meeting held on September 27⁵ between the Controls Commission and representatives of the American and British Embassies, at which meeting the disposal of Axis trade-marks was discussed.

The Embassy feels apprehensive regarding the program proposed by the Controls Commission. It appears that the local program is merely a half measure in arriving at a satisfactory disposition of the Axis trade-marks; furthermore, the actual implementation of this policy would in all probability lead to future misinterpretation and abuses by firms exploiting these trade-marks which may fail to act in

⁵ Not printed.

full cooperation with the program. It is relatively impossible to establish a true standard by which to judge the manner in which the former Axis trade-marks may be exploited consistently with the fundamental objectives of bringing about a total elimination of the Axis influence in the economic and commercial life of Chile.

In view of the above, the Embassy is advocating the complete elimination of all Axis trade-marks registered in Chile thereby preventing absolutely their future exploitation even under the modified form proposed by the Controls Commission.

The Embassy has advised the Controls Commission that this matter is being referred to the Department for instruction before making a final reply to their Memorandum of October [*September*] 28. Accordingly, the comments of the Department in the premises would be appreciated.

The Controls Commission has furthermore arrived at a policy for disposing of all Axis patents registered in Chile which policy will operate in a manner very similar to the policy adopted by the United States Government under The Office of the United States Alien Property Custodian. Under the local proposed program the Axis patents would be vested by the Chilean Government, subsequently, they would be licensed to local industry in a manner similar to the licensing procedure followed in the United States. The Commission indicated that this policy would make available to the local industry the benefits of all Axis patents registered in Chile and simultaneously would comply with the primary economic controls objective.

The Embassy feels that the proposed policy with reference to the disposition of Axis patents in Chile is totally satisfactory from our economic warfare viewpoint.

Respectfully yours,

HUGH MILLARD

740.25112A/10-445 : Telegram

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

WASHINGTON, November 14, 1945—7 p. m.

872. Urdes 12863 Oct 4. Dept would prefer that all Axis marks be vested by Chileans and that they be retired from use either by legislative action or by purchasers when marks are sold as part of assets of manufacturing concerns. If Chileans cannot be persuaded to adopt such policy Dept would accept proposal made urdes 12863 provided Chileans designate no marks for Category 2 without prior approval of Emb. If equipped to do so Emb should prepare list of Category 2 marks and ask Chileans to prevent exploitation of all others. Since certain other Latin American countries may have cancelled or taken other action with regard to Axis marks which Chilean

authorities intend to classify in Category 2 Emb shd make sure action taken by those countries is adequately safeguarded.

BYRNES

740.25112A/11-1645 : Telegram

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

SANTIAGO, November 16, 1945—7 p. m.

[Received 8:45 p. m.]

1442. Under Secretary Aliaga⁶ today informed Embassy representatives that Chile would agree to cancellation of all Axis marks provided all other American Republics, including Argentina, took similar action. He said that if marks continued valid in Argentina, Chile would be faced with constant invasion of products from that source. When reminded that Allied Control Commission had power to take over marks as assets of German Reich he ceased further opposition and repeated that Chile would join with other American Republics in general action to cancel all marks as stated in Dept's. telegram 872, November 14, 7 p. m. Embassy assumes foregoing reaction will be communicated to Economic and Social Council now in session Washington.

BOWERS

740.25112A/11-2445 : Airgram

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

SANTIAGO, November 24, 1945.

[Received December 10—4:26 p. m.]

A-613. Reference is made to the Department's telegram of November 20⁷ and Embassy's telegram 1458 dated November 21, 1945,⁸ with reference to recent conversations celebrated in Washington on the subject of the Proclaimed List with Sr. Julio Ruiz, member of the local Economic Controls Commission and Under Secretary of the Ministry of Economic Commerce.⁹

On November 21, 1945, Mr. Dunn and Mr. Chavez of the Embassy staff called on Sr. Aliaga, Under Secretary for Foreign Affairs and Chairman of the Controls Commission, to discuss the contents of the Department's referred to communication. Sr. Aliaga appeared very surprised at the position taken by Sr. Ruiz in his discussions in Washington. Sr. Aliaga stated that it was highly inadvisable to consider

⁶ Claudio Aliaga was Under Secretary for Foreign Affairs and simultaneously served as Chairman of the Controls Commission.

⁷ No. 888, not printed.

⁸ Not printed.

⁹ Sr. Ruiz, in these conversations, had requested complete withdrawal of the Proclaimed List.

the abolishment of the Proclaimed List for Chile before the peace treaty was signed with Germany in view of the unfinished phases of the local replacement program and the large amount of German assets now under control of the Chilean Government. Sr. Aliaga appeared very apprehensive regarding the advisability of withdrawing the Proclaimed List for Chile within the next 6 or 7 months.

Although Chile has substantially completed the local control program providing for the complete elimination or replacement of Axis spearhead firms and institutions, the following firms are merely in the preliminary stages of liquidation: Química Bayer Compañía, Limitada, Compañía General de Anilinas y Productos Químicos, Sociedad Limitada, Merck, Química Chilena, Sociedad Limitada, Sociedad Forestal Curiche Limitada, and Hamdorf y Compañía.

In view of the recent decision of the Chilean Government to cancel all German trade marks, the liquidation of these firms will be considerably expedited. The problem of the final disposition of the German trade marks belonging to these firms had held in abeyance their final liquidation. It is anticipated that it will require approximately 3 months hence to put into effect the necessary measures in bringing about the complete and final elimination of these firms as well as the final disposition of Axis trade marks registered in Chile. In addition, there are a number of pro-German newspapers of small circulation against which the Chilean Government contemplates taking control measures, among these newspapers figure: "Condor", "La Semana Internacional", and "El Roto".

It was agreed between the representatives of the Embassy and Sr. Aliaga to review the Proclaimed List for Chile subsequent to the 26th of November deletions with the possibility of recommending further cases on their merits to Washington; however, it is the opinion of the Embassy based on recent discussions that the local Government is not particularly concerned regarding further deletions except for rare cases considered strictly from the political viewpoint.

The Embassy has not observed any recent newspaper comments on the operation of the Proclaimed List in Chile, nor public comments of noticeable degree other than the propaganda and criticisms usually carried on by the Proclaimed-Listed Germans.

The Embassy communicated informally to the Controls Commission the contents of the Department's Instruction on the subject of vesting all external German assets by the Allied Control Council as contained in the Department's Circular Instruction dated November 17, 1945.¹⁰

BOWERS

¹⁰ Not printed. For documentation on the participation of the United States in the Control Council for Germany, see vol. III, pp. 820 ff.

740.25112A/11-2645: Telegram

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

WASHINGTON, November 26, 1945—8 p. m.

900. Ruíz and Illanes¹¹ approached Dept today re withdrawal PL and re disposition Axis trademarks. They were not aware position Chilean Govt as reported urtel 1458, Nov. 21¹² and expressed view question of withdrawal would be further explored Nov. 27 at meeting between Emb and Govt. They asked Dept to confirm info in their possession that lists would be completely withdrawn next May. Dept replied date for withdrawal of lists had not been officially determined. Dept however did not indicate termination at approx that time would be an impossibility. Obviously, date on which this Govt tentatively intends withdrawing lists should not be disclosed. To do so might jeopardize replacement program in countries which have made unsatisfactory progress in eliminating enemy interests. If it becomes known that PL may be discontinued next May its present effectiveness and prestige will suffer. Moreover although present schedule calls for withdrawal 1 year after VE day,¹³ unforeseeable factors might conceivably make continuance of lists beyond that date advisable and this Govt does not wish to be bound by publicity or commitments to discontinue at any given time.

Re trademarks Dept informed Chilean representatives that Dept's policy was to encourage retirement of all Ger marks. Dept informed them that if Chilean Govt believes such action unfeasible then use of marks not having Ger connotation would be possible without objection of Dept provided (1) marks would be under Govt control to extent their transfer to former owners and other undesirable persons is prohibited, (2) agreement can be reached by Emb and Govt as to which marks have Ger connotation and which do not, (3) use of marks by Chileans does not defeat measures taken against same marks in other countries, (4) no shipments of goods bearing marks are made to countries which have taken no action against marks.

Provisos 3 and 4 would virtually if not completely preclude exportation. Dept stated Emb instructed to discuss trademark problem within scope of foregoing.

BYRNES

¹¹ Presumably Don Mario Illanes, Chilean Commercial Counselor.

¹² Not printed.

¹³ Victory in Europe day.

800.515/11-2145 : Airgram

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

WASHINGTON, December 17, 1945.

A-532. Department commends excellent work done by you on PL and replacement program and appreciates difficulties caused by relaxation of controls necessitated by cessation of hostilities. You may be assured that your suggestions in this regard are given careful consideration by the Department.

With reference to the paragraph numbered 2 of your telegram no. 1453 of November 21 ¹⁴ concerning the abandonment of the Proclaimed List, it is pointed out that one year after V-E day is tentative date set for withdrawal and if it becomes apparent that unusual circumstances exist, the termination of the List might possibly be delayed. However, in any event the Schedule of Special Blocked Nationals presumably will continue to be used and will serve as a blocking measure in the United States. When contemplating the termination date of the Proclaimed List, the SAFEHAVEN program was taken into consideration and it was believed that a published list was not necessary as a part of the program. In regard to the local vesting program, efforts should be made to separate this program from the PL as suggested in the Record of Action of October 11.

The question of the handling of United States agencies by German dominated firms is still under consideration and the Department and Commerce Department are attempting to find a feasible way to strengthen the stand taken in the circular instruction of August 17,¹⁴ but with respect to the handling of United States merchandise by German dominated firms there is no way to prevent the export of such merchandise without the aid of war measures such as export controls, which is being relaxed, and censorship, which of necessity has been lifted.

Comments concerning repatriation and the expiration of the appropriation of the Legal Attaché will be forwarded in subsequent communications.

ACHESON

¹⁴ Not printed.

NEGOTIATIONS TO PROCURE FOR THE UNITED STATES STRATEGIC MATERIALS FROM CHILE¹⁵

811.20 Defense (M) Chile/1-1945

The Assistant Secretaries of State (Clayton and Rockefeller) to the Foreign Economic Administration (Crowley)

WASHINGTON, January 19, 1945.

MY DEAR MR. CROWLEY: At this morning's meeting of the Board of Directors of the U.S. Commercial Company,¹⁶ no action was taken on the proposition which had been agreed upon among the FEA¹⁷ representative in Santiago, Chile, the Embassy, and the Department, for a solution of the problem confronting the Chilean small mining industry producing copper. We shall not burden you with details, owing to the fact that all of the pertinent communications to and from Santiago and other related documents are in the hands of the Foreign Economic Administration. Also there is on file a letter dated January 18,¹⁸ signed by Mr. Wayne Jackson, Deputy Director of the Office of Wartime Economic Affairs of the Department of State, strongly recommending that the proposed plan be adopted without delay.

We cannot over-emphasize the political importance of this small copper mining industry which, although it produces only about three percent of Chilean copper, nevertheless has dependent upon it for livelihood over 30,000 persons. Chile will hold congressional elections during early March of 1945 and opponents of the present Chilean administration will hold our failure promptly and adequately to adjust this matter over the heads of the administration. This may have unfavorable consequences with regard to our political relations with Chile.

We have facing us next month one of the most important conferences of American states which has yet been held¹⁹ and we are anxious that there be no political complications which might impair the success of the conference. It is our considered judgment that failure to take the necessary action without delay will prejudice our foreign relations.

We must bear in mind that the copper which these small mines produce came to the American market at our insistent urging and at a time when we were struggling desperately to obtain every pound of copper which we could purchase and ship. Many of the mines, it is true, are marginal ones and would not produce at their present levels.

¹⁵ Continued from *Foreign Relations*, 1944, vol. VII, pp. 701-738.

¹⁶ A United States governmental instrumentality.

¹⁷ Foreign Economic Administration.

¹⁸ Not printed.

¹⁹ Reference is to the Inter-American Conference on Problems of War and Peace, held at Mexico City, February 21-March 8, 1945; for documentation, see pp. 1 ff.

in times of peace, and it is to be expected that they will not, except possibly with Chilean governmental subsidy, be able to produce at the same levels a short time hence. Nevertheless, we did contribute materially to the expansion of production and it has been understood all along that when we curtailed purchases we would do this in a way which would cushion the shock.

It is our strong recommendation, based upon information received from the American Ambassador in Santiago,²⁰ that an arrangement should be approved which would provide for the continuation of purchases from the marginal mines on the same basis as before for a ninety-day period commencing February 1, 1945. For the three subsequent months, an orderly cut-back would be instituted, the amount purchased to be cut one-third in May, one-third in June, one-third in July, and the contract terminated by July thirty-first. Such action will avoid a very serious situation in Chile which would have repercussions on the relations among the American republics far out of balance with the relatively small amount of money which would be saved were the contract not to be continued after January 31.

In addition to these political considerations, we are informed by the War Production Board that there has been a sharp increase in copper requirements and that, accordingly, all available foreign copper is needed during the first half of 1945.

In view of the political and economic factors involved, it is therefore our earnest hope that this matter can be adjusted at once, as the Embassy in Santiago informs me that a favorable reply must be received there by January 22 in order to make the necessary technical adjustments before the present smelter contracts expire on January 31.

Sincerely,

WILLIAM L. CLAYTON

NELSON A. ROCKEFELLER

811.20 Defense (M) Chile/1-2245

The Foreign Economic Administrator (Crowley) to the Assistant Secretaries of State (Clayton and Rockefeller)

WASHINGTON, January 22, 1945.

GENTLEMEN: In connection with your letter of January 19, I have referred your request to the Executive Committee of the U.S. Commercial Company, who will consider it at their meeting tomorrow, but I want to mention a few of the facts which have influenced our feeling toward the present recommendations from Chile.

Before February 1, 1944, when we were discussing the elimination of gold purchasing, the reduction in the price of copper, and the discon-

²⁰ Claude G. Bowers.

tinuance of the purchase of manganese, the Ambassador advised the State Department and our people as follows:

"We all feel there must be a six months' interval to permit readjustments necessary to prevent serious economic effects against us."

At that time, the FEA and the Department were agreed upon a gradual reduction in the price of copper ores and concentrates, but we compromised on the rate of reduction as a result of this interchange. Also, at the request of the Department, we purchased 40,000 tons more manganese than was called for by the contract, though this manganese was not needed for the war effort and a very large stockpile in Chile belonging to us had not been lifted. In August 1944, again at the insistence of the Ambassador, we agreed to an extension of our purchases of gold ores and concentrates to January 31, 1945.

The situation now is that, though three-fourths of the former copper price increases have been eliminated, the price is still three or four cents above the ceiling. Gold ore purchases are about to cease six months later than originally agreed upon and eighteen months later than our first proposal to eliminate them. It is obvious that the warning which the Ambassador felt the Chileans were entitled to receive was given to them.

I need not mention the enormous income which the Chilean Government has received by reason of our expanded and extended copper operations and other programs. The present Chilean income tax represents 33% of the net income of the three largest producers, who have also been paying an additional "extraordinary" tax of 1½¢ per pound on all copper shipped. This "extraordinary" tax is yielding the Chilean government about \$18,000,000 a year. In addition, the Chilean government obtains an estimated \$7,000,000 a year profit on the sale of exchange to the three major copper companies. The Chilean government obtains a large tax from the sale of nitrates, and the U.S. government's subsidization of Chilean nitrate importation involves approximately \$5,000,000 per year. These facts are pertinent because they have a direct bearing upon the ability of the Chilean government to subsidize the higher cost small producers, if such subsidization is necessary.

At the end of August 1944, Chile's gold and foreign exchange holdings had reached \$107,000,000. This was a rise from \$40,000,000 at the end of 1941 and \$80,000,000 in November 1943.

The activities of the U.S. government in Chile have given that country the largest inflow of dollars in many years. In 1945 our public purchases alone are expected to approximate \$167,000,000. Lend-Lease shipments up to November 31, 1944 were \$18,488,000. Thus far, none of this has been repaid. The Export-Import Bank has granted credits to the extent of some \$28,000,000; total disbursements

to last November approximated \$19,000,000. The activities of the CIAA ²¹ involve an expenditure of \$1,347,000 for the fiscal year 1945. When allowance is made for Chile's private exports to the U.S. and exports to other countries, the totals for 1945 would probably be well over \$200,000,000.

This agency has been most generous in assisting Chile in approving projects for industrialization. Thus far, we have cleared 38 projects amounting to \$30,194,289. We understand that Chile has in contemplation projects totaling about \$150,000,000 in the post-war period.

I recite these facts at this time because they may not be fully known to you and to insure that they have been given due consideration in making the recommendation contained in your letter. However, I am suggesting to the Executive Committee that they base their action on the political determinations which your letter so strongly conveys and that we base our purchase program on the recommendations in your letter or on some variation agreed to between our people and the Department.

Sincerely yours,

LEO T. CROWLEY

811.20 Defense (M) Chile/1-2245

The Foreign Economic Administrator (Crowley) to the Assistant Secretaries of State (Clayton and Rockefeller)

WASHINGTON, February 3, 1945.

GENTLEMEN: This will supplement my letter to you of January 22, 1945, about the continued subsidization by the Foreign Economic Administration of sub-marginal Chilean copper.

While I appreciate the problems facing the Department of State in these matters, I would like to suggest that the function of this Administration in carrying out the operating responsibilities in transactions of this kind would be greatly facilitated if, instead of approaching the solution of such questions as an emergency situation and on a piece-meal and isolated basis, they could be handled on an integrated basis and dealt with in their relation to other phases of our economic relations with the particular country involved. I would like to propose that as soon as possible and before pressure is put on us in some other individual case by Chile or one of the other American republics for assistance through subsidization or other means, we sit down together and review the over-all situation in advance with a view to preparing ourselves for the problems likely to confront us.

For example, in the case of Chile, within the very near future this Government will have to reach a decision on the possible renewal

²¹ Coordinator of Inter-American Affairs.

of existing contracts for the purchase of nitrates, and the question of renewing our contract with the Andes Copper Company will also have to be examined. Both of these matters involve the payment of subsidies. Moreover—and this applies not only to Chile but to a number of the American republics—we shall have to resolve important questions of policy dealing with payment of over-due accounts for lend-lease aid furnished by this Government.

It is my firm belief that a decision such as the one involved in the sub-marginal Chilean copper case should not be made without first carefully considering the position of Chile in relation to the other American republics with respect to our procurement programs. We have drawn in varying degrees upon all of Latin America for raw materials and other assistance. The rewards and the sacrifices have varied greatly from country to country. Analysis of both shows that Chile is in a relatively favored position. In this sense, in so far as the bargaining power lies with us, I submit that we should not be hesitant about using such power when it is in the national interest of the United States to do so, indeed from a long range point of view it is frequently a disservice to the recipient country to treat these matters on an *ad hoc* basis.

It is readily demonstrable that Chile has benefited in a financial sense from our public purchase program to a higher degree than any of the other American republics. Total official United States purchases in Chile during the four and one-half years ended June 30th last were valued at \$505,871,000. While we do not over-emphasize its importance, it is worth noting that on a per capita basis this represents an expenditure of over \$100 as compared with an over-all figure of \$10 per capita for Latin America as a whole. Purchases from Chile alone represented over 36% of total United States public purchases from all of Latin America. It might further be observed that total United States imports from Chile during 1943 were valued at \$140,187,000, as against an average of \$33,580,000 in 1936-1938. This increase of 317% should be compared with an increase of only 142% for Latin America as a whole for the same period. In the light of these facts I do not believe that we should assume a defensive attitude on the question of trimming down any procurement program not necessitated for reasons of supply; and would like to suggest for your consideration the possible desirability of advising Chile in a tactful manner of the relative position outlined above.

In a word, I favor an integrated over-all approach and the full and effective utilization of all bargaining elements available to us to the end that we may obtain the fullest measure of economic and political benefit possible. I shall look forward to receiving your comments.

Sincerely yours,

LEO T. CROWLEY

811.20 Defense (M) Chile/2-345

*The Assistant Secretary of State (Rockefeller) to the Foreign
Economic Administrator (Crowley)*

WASHINGTON, February 16, 1945

DEAR MR. CROWLEY: Your letter of February third in answer to ours of January twenty-second [19?] is much appreciated and we are delighted with the suggestion which you make to the effect that our purchase program with the other American republics should be handled on an integrated basis and dealt with in relation to the other phases of our economic relations with the particular countries involved. This is particularly important from the political point of view, and, in order that we may take full advantage of your thought in this connection, the Department has already secured from the Foreign Economic Administration detailed information from which to prepare statements giving the full picture concerning each country. These statements include analysis of all of the purchase contracts with full data year by year as to price, quantity, percentage of production relating to national income, as well as the detail of the provisions of the existing contracts, their termination dates and recommendations as to their extension. This material will be of value to both the Foreign Economic Administration and the Department in developing the over-all programs you recommend.

This will go a long way in removing uncertainties and improving relations with these various countries. Naturally, our whole objective is to represent the best interests of the United States in all such negotiations. However, in determining the best interests, we must always do so from the broadest point of view of long-term relations. The fact that we have increased our purchases so substantially from Chile, while it has been an asset during the war period, makes the termination all the more difficult and serious from their point of view, as it will leave them without markets for the tremendous volume of exports on which they depend, not only for employment but for its foreign exchange with which to buy imports. Therefore our wartime buying is a mixed blessing as far as they are concerned.

Chile, of all of the major South American countries, is suffering one of the greatest degrees of inflation in its history. This is due to the very large dollar balances which have been built up by our purchase program. Very careful plans will have to be developed if the Chilean economy is successfully to withstand the current inflationary trend and the shock of deflation, which is bound to come sooner or later.

While it is important to "bargain," as you put it, in connection with individual purchases, I think we should not lose sight of the fact that

our relations with these countries with regard to the war effort are the relations of nations fighting side by side and that we are shortly to meet together to work out and plan for the future, on the basis of mutual trust and confidence, policies and programs which will reflect the best interests of all.

Sincerely,

NELSON A. ROCKEFELLER

811.20 Defense (M) Chile/2-2045

The Foreign Economic Administrator (Crowley) to the Assistant Secretary of State (Clayton)

WASHINGTON, February 20, 1945.

DEAR WILL: Your letter of January 28²² concerning the Chilean small copper mines has been received and I am glad to have the expression of your appreciation of our effort to give the Chilean Government more time in which to make the necessary adjustments to the elimination of our subsidy purchases of copper.

I sincerely hope that, if any further subsidy of these mines is considered necessary, the Department of State will concur with us in our view that the Chilean Government should be asked to work out the solution itself, perhaps along the lines suggested by Señor Michels.²³

I am sorry that I cannot share your optimism as to the outcome of our additional purchase of manganese in Chile. As you know, only 4,000 tons of the manganese purchased under either the original obligation or the extension of that obligation has yet been shipped. The serious shortage of manganese to which you refer is one based solely upon lack of shipping. While it may be worthwhile to lift some of this manganese at a later stage in the war, there is no present indication that anything would be gained by diverting shipping from higher grade manganese elsewhere to pick up this relatively unsatisfactory material. In fact, at a meeting held at the War Production Board on February 13, it was decided not to move the Chilean grades of manganese.

In my letter of January 22, I said that I was asking the Executive Committee to act on your recommendation regarding the purchase of Chilean copper and to base our purchase program on that recommendation or on some variation agreed to between us and the Department. As I believe you know, we decided upon a temporary extension of our previous purchasing arrangements. We have now decided to propose to the Chileans a continuation of those arrangements through

²² Not printed.

²³ Rodolfo Michels, Vice President of the Anaconda Copper Mining Company.

April 30, 1945, and then a gradual reduction in the price paid both to the smelters and to producers not in a position to sell to the smelters, with all purchases to be on a non-subsidy basis after June 30, 1945, in line with discussions between FEA and the Department.

I should like to reiterate the suggestion in my letter of February 3 that future problems of this nature be solved in the light of our total economic relationship with Chile or any other country concerned.

Sincerely yours,

LEO T. CROWLEY

825.6374/3-545

*The Secretary of State to the Chilean Minister for Foreign Affairs (Fernández)*²⁴

MÉXICO, D. F., March 5, 1945.

EXCELLENCY: I have the honor to refer to the conversations which have been held, during the course of the Inter-American Conference on Problems of War and Peace, between members of the Chilean and United States delegations on the subject of the operations of synthetic nitrogen plants owned by the Government of the United States, and regarding the disposal of such plants. Those conversations have resulted in an understanding on the subject which is set forth below.

It is not the intention of the Government of the United States that the production by the Government of synthetic nitrogen in plants owned by it and constructed for war purposes, shall be continued beyond the period necessitated by the conditions or consequences of the war, except as may be necessary in order to maintain the plants in efficient operating condition for national security from the point of view not only of physical condition but also for the purpose of continuing scientific research and technological progress. Should it be necessary for the Government of the United States to modify this position, there shall be consultation with the Government of Chile before action is taken.

It is the intention of the Government of the United States, with respect to such government plants for synthetic nitrogen, constructed for war purposes, as may not be dismantled, or converted to uses other than the production of synthetic nitrogen, or maintained for national security, if the terms or conditions of cession, sale or lease of such plants to private interests might create serious problems affecting the production or exportation of Chilean nitrates, that there shall be consultation between the Governments of the United States and Chile with a view to reaching such accord with respect to those

²⁴ The Secretary of State and the Chilean Minister were attending the Inter-American Conference on Problems of War and Peace at Mexico City.

problems as will, while protecting the interests of the United States Government, give due consideration to the effects upon Chile, particularly from the point of view of the creation of unfair competition because of the terms or conditions of the cession, sale or lease of those plants.

With assurances of my respect and esteem,

Sincerely yours,

[EDWARD R. STETTINIUS]

811.20 Defense (M) Chile/3-2945

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

No. 11,863

SANTIAGO, March 29, 1945.

[Received April 3.]

The Ambassador has the honor to refer to the telegraphic communications exchanged with the Department in January of this year concerning the continued purchase of Chilean ores and concentrates and to transmit for the Department's information and records a copy of the Embassy's Note No. 2585 of February 10, 1945 to the Chilean Foreign Office²⁵ amending the overall minerals agreement²⁶ and providing for the purchase of Chilean copper and gold ores and concentrates from February 1 through April 30, 1945. There is also enclosed a copy of the Chilean Government's reply, Foreign Office Note No. 001490 of March 17, 1945,²⁵ accepting the amended terms and conditions of the overall agreement.

825.6374/4-345 : Telegram

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

WASHINGTON, April 3, 1945—6 p. m.

262. With reference to the telephone conversation between Smith²⁷ and Brooks²⁸ on April 3, an instruction to you had been prepared on the question of publicity for the substance of the letters exchanged at Mexico regarding the synthetic nitrogen plants, but it had not yet left the Department. It was discovered on April 2, however, that the United Press had learned of the letters, was about to issue a news story, and it was therefore necessary to move rapidly.

You will receive shortly a copy of the press release issued here.²⁹

You should take advantage of your discussion of this matter with the Chilean authorities to point out that this Government considers

²⁵ Not printed.

²⁶ See *Foreign Relations*, 1942, vol. VI, pp. 47-50.

²⁷ H. Gerald Smith, Assistant Chief, Division of Commercial Policy and Agreements.

²⁸ Clarence C. Brooks, Economic Counselor of Embassy in Chile.

²⁹ See Department of State *Bulletin*, April 8, 1945, p. 644.

that the Chilean interpretation of the letter from the Secretary, as set forth in the final paragraph in the words "as an effective security for the stability of the nitrate industry", appears to read into the Secretary's letter more than was intended.³⁰ Concisely, that letter was intended to recognize that a serious problem might result for the Chilean nitrate industry if certain conditions developed in the operation and disposal of the government synthetic nitrogen plants in this country. We were therefore prepared to consult with the Chilean Government regarding such a possible problem with a view to working out a solution. It did not follow, however, that any solution which might be worked out would of itself necessarily result in the creation of "an effective security for the stability of the nitrate industry". This clarification is not intended, of course, to alter the intention originally expressed in the Secretary's letter.

If you deem it advisable, you may incorporate the substance of the foregoing in a memorandum to the Foreign Minister.

STETTINIUS

825.6374/5-945

*The Executive Director of the Bureau of Supplies, Foreign Economic Administration (Scheuer)*³¹ to the Assistant Secretary of State (Clayton)

WASHINGTON, May 9, 1945.

DEAR WILL: On February 3rd, Mr. Crowley wrote you in connection with the subsidization of Chilean copper and pointed out the desirability of examining all subsidies very closely before renewing any of them in future negotiations. He mentioned that it would be necessary to consider certain contracts in this connection, including those for the purchase of Chilean nitrates, and urged that no political decision be made to renew these contracts at subsidy prices before a very careful examination of the whole body of assistance which Chile is receiving from the United States in the fields of public purchase, Lend Lease, and other benefits.

The nitrate purchase contract will expire June 30th of this year. As I believe you know, this contract for the past three years has involved an outright subsidy by United States Government agencies totalling about \$17,000,000. While we have never felt that a subsidy of this nature and amount was necessary on procurement grounds, the Department of State has on two separate occasions asked that we meet the demands of the Chilean sales company without attempting to negotiate a lower price.

³⁰ Chilean reply of March 8 to Secretary's letter not printed.

³¹ Mr. Scheuer was also Executive Vice President of the United States Commercial Company.

Our most recent study of the Chilean nitrate purchase arrangement shows that the revenue of the Chilean Government derived from our nitrate purchases is greater than our total subsidy. There is also convincing evidence that the producing companies could absorb the entire subsidy in a lower price and still be able to continue their operations. The fact that we must refer to indirect evidence rather than exact knowledge results from the extremely complicated interrelationship of the companies affiliated with the nitrate sales monopoly and the refusal of the monopoly, as reported by its American sales subsidiary, to open the company's books for our inspection. This is the only case within the scope of our operations where we have paid to a foreign enterprise a subsidy running into millions of dollars without the privilege of examining its books and without exact knowledge of its operating costs.

As you know, Congress is examining the whole question of government purchases involving subsidies, and we are being required to justify such subsidies on procurement grounds. In the case of Chilean nitrates we shall certainly not be able to justify as essential continued purchases at present prices, and we shall not be able to justify any subsidy unless the Chilean Sales Corporation and the producing companies can prove the necessity for a subsidy by a full disclosure of their costs.

We believe that the subsidy can be eliminated in the 1945-46 nitrate year simply by turning the trade back to private channels. However, we recognize that Resolution XXI of Mexico City³² may obligate us to discuss the matter with the Chilean Government if they feel that this action would have a serious effect on their economy. It is our feeling that if the Chilean Government wants such a discussion and if continued public purchase should be decided upon, the Chilean Government should become a party to any new contract between the U.S.C.C.³³ and the Chilean Nitrate Sales Corporation. Furthermore, the revenue derived by both the producing companies and the Chilean Government should be taken into account. Under these circumstances we would also want to include in the discussion consideration of the other economic benefits that are being extended to Chile by the United States and to the economic problems facing the United States as well as Chile. I am sure you will agree that this would be in harmony

³² For text of this Resolution concerning economic adjustment of the Hemisphere during the transition period which was to begin with the end of the war in Europe, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 61.

³³ United States Commercial Company.

with the letter as well as the spirit of Resolution XXI of the Mexico City Conference.

This is, of course, a preliminary statement of our views. Arthur Gardiner ³⁴ and I will be very glad to discuss the matter further with you or any of your people, and I think it would be well to arrange for such a discussion soon. In the meantime I am sure you will agree that no commitments should be made to the Chileans regarding our future purchases of nitrates.

Sincerely yours,

SIDNEY H. SCHEUER

811.20 Defense (M) Chile/5-2945

The Executive Vice President of the United States Commercial Company (Scheuer) to the Assistant Secretaries of State (Clayton and Rockefeller)

WASHINGTON, May 29, 1945.

GENTLEMEN: In your letter of January 19, 1945, to Mr. Crowley, it was recommended that the U.S. Commercial Company make arrangements that would provide for a continuation of subsidy purchases of copper and gold ores and concentrates from the small producers in Chile for the six months' period ending July 31, 1945. Pursuant to this recommendation, the U.S. Commercial Company Board, on January 23rd, approved purchase arrangements for the three months' period ending April 30, 1945, at a slightly reduced purchase price; and, on April 17, 1945, approved such purchases, on a further reduced price basis, for the three months' period ending July 31, 1945. Under the circumstances it is not our intention to renew any of these contracts.

We understand from our representatives in Chile that the interested authorities there are attempting to work out some program so that, when the U.S. Commercial Company program terminates, the Chilean Government will take such steps as may be necessary to maintain the small mining industry. Despite this fact, however, the question of extending the U.S. Commercial Company program beyond July 31st may be raised. We thought it proper to bring this termination to your attention.

Sincerely yours,

SIDNEY H. SCHEUER

³⁴ Director of the Foreign Procurement and Development Branch, Bureau of Supplies, Foreign Economic Administration.

811.20 Defense (M) Chile/5-2945

The Assistant Secretary of State (Clayton) to the Executive Vice President of the United States Commercial Company (Scheuer)

WASHINGTON, June 2, 1945.

MY DEAR MR. SCHEUER: Thank you for your letter of May 29 dealing with the Chilean ore and concentrates purchase program and the recent contracts made thereunder.

It is our understanding that the United States Commercial Company has committed itself to purchase copper from other high-cost producers in Chile and other foreign countries for the quarter ended September 30, 1945. Furthermore, we are informed that the contract with the Andes Copper Company calls for a price of about 14½¢ per pound of recoverable electrolytic copper, varying with the cost of production. We are not fully informed as to the equivalent cost per pound of copper paid to the small producers under the Chilean ore and concentrates purchase contracts, but limited data indicate that the price is perhaps somewhat lower than that paid Andes under the latest contract.

We feel that it would be both impolitic and unbusinesslike for this Government to cease purchasing copper from small Chilean-operated enterprises in Chile, while continuing to purchase similar materials from an American-owned enterprise operating in Chile, at perhaps higher prices. Consequently we suggest:

1. As to copper ores and concentrates, United States Commercial Company enter into a commitment to purchase until September 30, 1945, the *pro-rata* quantities of copper ores and concentrates stipulated in the present agreement at a price equivalent to that paid under the present contract or to the price paid Andes Copper Mining Company under its third quarter contract, whichever is lower.

2. That any future commitments, which may be deemed advisable in light of United States import requirements, be made on the basis of substantially equal prices as between Andes and the small Chilean producers.

3. That purchases of gold ores and concentrates be discontinued as of July 31, 1945, the expiration date of the present contract, unless your agency deems it advisable to make purchases to facilitate the economical operation of the Chagres smelter in connection with the smelting of copper ores and concentrates.

Sincerely yours,

W. L. CLAYTON

825.6354/7-2645

The Executive Director of the Bureau of Supplies, Foreign Economic Administration (Scheuer) to the Assistant Secretary of State (Clayton)

WASHINGTON, [undated].

DEAR WILL: Thank you for your letter of June 2 on the subject of Chilean ores and concentrates.

In all our previous discussions of this subject with the Department regarding continuance of our subsidy program, never was it suggested that action be conditioned upon the continuance or discontinuance of the Andes contract although in each instance it was clear that it was our intention to continue it. The Andes contract is a cost-plus-royalty contract. It contributes a substantial quantity to our total needs for electrolytic copper. It will be cancelled or reduced before the cancellation of contracts for ceiling-price copper, and this will be possible when there is a substantial reduction in copper requirements, which are now under consideration by WPB.³⁵

It was our understanding that the Department's previous request for a continuation of the subsidy program in ores and concentrates was, as in the case of similar earlier requests, based upon the then current political situation and more recently in addition, the imminence of the Chapultepec conference. The USCC entered into this latest extension with considerable reluctance and with the understanding that the program cease on July 31, 1945. We agree that it might have been impolitic to cease subsidy purchases of copper from small Chilean enterprises while continuing such purchases from an American enterprise had the matter not on the occasion of two previous renewals been thoroughly canvassed with the Chileans and with the Department and, according to our understanding, with a complete meeting of the minds.

If you now feel on political grounds that this obligation should be further renewed, I am confident that the Board of the USCC would be strongly influenced by your recommendation. As we see it, however, it might be an advantage to Chile to adjust gradually to these inevitable changes by accepting a small cut-back now when total production levels in that country are high and their nitrate industry is running at record rates. There is bound to be substantial curtailment in copper programs eventually and if such curtailment is made gradually, which is our aim, the effects on the Chilean economy will be much less burdensome. The previous extensions were predicated

³⁵ War Production Board.

on this approach. Under the circumstances we think you will agree that the subsidy purchases at this time can not be described as unbusiness-like. In most commodities involving subsidies we have many contracts of differing durations. When requirements are cut we should, insofar as possible, be free to cancel each contract at the earliest legal date. This was the very purpose in mind when each of these negotiations took place. Any other policy might be considered as an unbusiness-like practice, involving the U.S. Government in the purchase of unnecessary quantities of high-cost materials.

We anticipate that the WPB will revise their copper requirements at an early date and that their needs will be found to be substantially lower than our present commitments warrant.

We note your views regarding the purchase of gold ores and concentrates as expressed in Paragraphs 2 and 3.

Your further advices would be appreciated.

Sincerely yours,

SIDNEY H. SCHEUER

825.6354/7-2645

Mr. Willard L. Thorp, Deputy to the Assistant Secretary of State for Economic Affairs, to the Executive Director of the Bureau of Supplies, Foreign Economic Administration (Scheuer)

WASHINGTON, July 25, 1945.

MY DEAR MR. SCHEUER: We refer to the previous correspondence between yourself and Mr. Clayton on the subject of the Chilean copper ore and concentrates purchase program, the most recent communication being Mr. Clayton's note to you of June 18, 1945.³⁶

Since that date, we have studied the matter at length and have participated in several discussions with representatives of WPB and FEA in regard to the program for procurement of foreign copper during the fourth quarter of 1945. We now have learned that WPB has directed the FEA to purchase 150,000 tons of copper from foreign sources in the fourth quarter and hopes that this may be done without cash loss to the Government. The Department is of the opinion that the decision to continue purchases of any subsidy copper in the fourth quarter and in subsequent quarters should be made by the supply agencies solely on the need of such copper to meet our import requirements.

Any decision as to the elimination of subsidies should be in consonance with the Department's general policy of equality of treatment as between comparable producers within a country and as between

³⁶ Not printed.

different countries. Thus, the Department's position would be to favor equality of treatment in cutbacks as between the small independent Chilean mines and the Andes.

We feel that if the subsidy prices paid to the Andes Copper Mining Company are terminated on September 30, 1945 there will be small likelihood of any charges of injustice to the small Chilean copper producers by terminating the ore and concentrates purchase agreement on July 31, 1945. However, with the aim of equality of treatment, we can see no objection to the suggestion of your representatives that it may be well to extend the agreement on about the present terms for an additional two months, thus providing coincident termination of subsidy purchases from the small mines and from Andes.

The Department's position would be, also, to apply the principle of equality of treatment as between purchases of ceiling price copper from Canada and Chile. It would be definitely inconsistent with our established policy to terminate the purchase of ceiling price Canadian copper without equivalent cutback of ceiling price copper from Chile or other countries.

The Department is, of course, prepared to discuss bilaterally, with any of the producing countries, problems arising from the cutback of copper purchases. It is possible, therefore, that the Department may wish to make certain additional recommendations depending on the result of such discussions.

Sincerely yours,

WILLARD L. THORP

103.9169 : Telegram

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

WASHINGTON, July 31, 1945—4 p. m.

622. From Gardiner and Bateman,³⁷ FEA, for Low, Rickard.³⁸ Despite previous intentions discontinue small mines operations on July 31, USCC Board has agreed continuance purchase maximum 3500 tons contained copper at present prices if delivered during Aug. and Sept., and also to continue Chagres Smelter Contract until operations completed about Oct. 15. Authorization contemplates continuation of purchase of gold ore and concentrates on present price basis, but only to cover such material as is delivered to smelter by Sept. 30 and as is necessary to use for fluxing purposes during period.

³⁷ Alan M. Bateman, Foreign Procurement and Development Branch, Foreign Economic Administration.

³⁸ Sam D. W. Low and Joachim D. Rickard, field representatives of the Foreign Economic Administration.

In reaching this decision, USCC considered reduced costs of Chagres operation, and advisability of avoiding charges of discrimination if Chagres were discontinued on July 31 while production at Andes was continued through Sept. 30 at higher costs. Suggest now may be the time to arrange smelter operate on toll basis, and in any case believe toll arrangement essential for period following Sept. 30.

You should understand that the decision is not based on need for copper, and that we are faced with a very substantial cutback in 4th quarter copper procurement program in Chile and other countries. Our action is based on belief that a voluntary agreement made at this time by USCC may materially assist in our future negotiations with Chilenos on further programs.

We leave you to deal with closing phases of program locally in manner similar to handling of discontinuance manganese purchase program. [Gardiner and Bateman.]

GREW

825.6374/8-845 : Telegram

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

SANTIAGO, August 8, 1945—noon.

[Received 3:40 p. m.]

1038. Minister of Finance Ramírez and officials of Chilean Nitrate Sales Corporation informed Economic Counselor³⁹ last night that Corporation's representatives in U.S. had been formally notified by FEA that all negotiations for further purchase of nitrates would be discontinued. Ramírez manifested great indignation and surprise at such action and expressed hope that it did not reflect official policy of U.S. Govt. He stated some 90,000 metric tons of nitrates had been shipped to U.S. since June 30 on strength of assurances received from WSA⁴⁰ to effect that one million tons would be purchased during next contract year and that necessary space had been allocated.

Ramírez and Corporation officials said that shipments had been made without agreement as to price relying on good faith of U.S. and that FEA action was grossly unfair and contrary to previous assurances.

I strongly feel that failure to negotiate new sales agreement on fair basis will precipitate economic crisis here and seriously endanger good relations with this country. I therefore urge that drastic action reportedly taken by FEA be immediately reconsidered.

BOWERS

³⁹ William Dunn.

⁴⁰ War Shipping Administration.

811.20 Defense (M) Chile/8-845

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

[Extract]

No. 12,586

SANTIAGO, August 8, 1945.

[Received August 21.]

SIR: I have the honor to inform the Department that a note (a copy of which is attached),⁴¹ indicating that the Government of the United States had agreed to a final extension of the over-all minerals purchase agreement for a period of two months, ending September 30, 1945, was handed today to the Foreign Office.

It will be noted that the terms of the extension indicated in my note conform to those in the Department's telegram No. 622 of July 31, 1945. It will also be noted that the note points out the duration of the minerals purchase agreement, the approximate amount spent by the U.S. Commercial Company for ores and concentrates purchased under the agreement, and the fact that the final extension of the agreement is for the sole purpose of giving the Chilean Government additional time to effect adjustments of conditions which will result from the expiration of the agreement.

• • • • • • •
Respectfully yours,

CLAUDE G. BOWERS

825.6374/8-1545 : Telegram

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

WASHINGTON, August 15, 1945—3 p. m.

660. Deptel 657, August 13.⁴¹ In discussions with Chilean authorities re nitrate negotiations do not give any indication to Chileans that nitrate contract will be renewed. Entire subject of war power authority to purchase commodities not in scarce supply is under review. It appears doubtful that WPB can issue directive on FEA to purchase Chilean nitrate with subsidy, and until situation is clarified, no encouragement should be given Chilean authorities that contract will be renewed. Dept and war agencies are fully aware of importance of orderly transition and you will be advised immediately regarding developments.

BYRNES

⁴¹ Not printed.

611.2531/8-2545 : Telegram

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

WASHINGTON, August 30, 1945—8 p. m.

695. Reurtel 1090 Aug. 25.⁴⁷ Recent developments in nitrate have been as follows:

- (1) FEA notified Chilean Nitrate Sales Aug 1 that no new public purchase contract would be signed 1945-46.
- (2) 110,000 tons nitrate being shipped to New York thus legally reverts to private trade;
- (3) US supply situation so favorable, WPB has recommended removal all domestic allocation and priorities control on nitrogen as of September 30.
- (4) Five of seven Army nitrogen plants declared surplus and about to be sold.

For your strictly confidential information Dept is considering recommending to FEA that it acquire under public purchase 110,000 tons nitrate already shipped as tapering-off measure in consonance our stand at Mexico City,⁴⁴ though legally this Govt not so committed and FEA may well refuse. In addition Dept is asking OPA ⁴⁵ remove nitrate ceiling to thus end domestic war time controls on this product consistently with ending of public purchase.

Instruction fully covering these matters will follow soonest possible.

For your additional information, Inter-Departmental Committee will be considering Chilean counter-proposals trade agreement middle next week.⁴⁶ As they stand now these Chilean proposals will doubtless be considered unacceptable to this Govt. Your despatch 12599 ⁴⁷ not yet received.

BYRNES

811.20 Defense (M) Chile/9-1145

The Assistant Secretary of State (Clayton) to the Foreign Economic Administrator (Crowley)

WASHINGTON, September 11, 1945.

DEAR LEO: The public purchase contract between the USCC and the Chilean Nitrate Sales Corporation expired on July 31. On August 1 the FEA formally notified the Corporation to that effect.

⁴⁴ Reference is to Resolution XXI, agreed upon at the Mexico City Conference; for text, see *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945*, p. 61.

⁴⁵ Office of Price Administration.

⁴⁶ For documentation on trade agreement discussions, see pp. 824 ff.

⁴⁷ Not printed.

At about that time, however, there were on the way 110,000 tons of nitrate. This was the first consignment under a contract, somewhat similar to the preceding, which Chile, in view of the then still serious world situation, supposed would be signed. The fact that WPB had in May issued a directive to FEA to obtain 1,000,000 tons of nitrate had strengthened Chile's belief that such would be the case. It should be noted that some, if not all, of this particular shipment had been extracted and processed during the emergency and that loading of a part of it actually began last July 14.

The Chilean Government is interested in having this consignment of 110,000 tons of nitrate bought by the United States Government under terms of the now expired nitrate purchase contract (the subsidy would amount to about \$550,000). In view of the circumstances described in the preceding paragraph, the Department of State considers that this request of the Chileans would be entirely reasonable. Additionally, I wish to bring the following points, bearing strongly on the subject, to your consideration:

1. The importance of the Chilean nitrate industry in the over-all economy of Chile, as well as this Government's particular interest in it, can be judged by the following two facts: (a) In 1942 the industry contributed about 19% of the total national income of Chile. (b) A portion of the exchange accruing to the Chilean Nitrate Sales Corporation is by law allocated to the service of the external debt (interest primarily).⁴⁸ Of the tax revenues earmarked for service of the funded foreign debt, roughly 30% during the war years has come from the nitrate industry, although it is true that only a little less than half of the receipts from these taxes have actually been used for this debt service.

2. United States purchase of Chilean copper definitely ends September 30. As stated above, public purchase of Chilean nitrates expired July 31. This coincidence in time, while clearly foreseen and provided against beforehand, is still highly prejudicial to the stability of Chilean economy, and consequently to Chile's political well-being.

3. Article XXI of the Final Act of Mexico City states this Government's adherence to a program of cushioning the effects of procurement cutbacks in those Latin American countries where it should seem necessary. Chile is very definitely in this category. The expenditure of a final sum of roughly \$550,000 would be consonant with this Government's adherence to this Resolution, and at the same time, should serve to silence any possible future recriminations by Chile in this respect.

4. President Ríos is visiting this country in the first part of October with the undoubted intention of securing financial aid from this Government. It would be politically most expedient if, by that time, all of our commitments in regard to Chile's transition period were complied with, thus placing this Government in the favorable position of a person who owes nothing.

⁴⁸ For documentation on the Chilean debt situation, see pp. 809 ff.

On the basis of all of the above facts, I would like to recommend that FEA consider purchasing under the terms of the late contract the 110,000 tons of Chilean nitrate now in the process of being shipped. This recommendation is made on the understanding that the FEA has no intention of continuing public purchase of Chilean nitrates involving loss (as stated in Mr. Gardiner's letter of August 1 to Señor Pedro Alvarez ⁴⁹). I hope you can give this your immediate consideration.

Sincerely yours,

W. L. CLAYTON

825.6374/11-1645

Memorandum of Conversation, by Mr. Alexander Schnee of the Division of North and West Coast Affairs

[WASHINGTON,] November 16, 1945.

Participants: Mr. Harold Stein—OWMR ⁵⁰

Mr. James Wright—RFC ⁵¹

Mr. Milton K. Wells—NWC ⁵²

Mr. Alexander Schnee—NWC

Mr. Stein revealed that OWMR has agreed to pay the subsidy of \$5 per ton on the 110,000 tons of nitrates shipped to the United States by the Chilean Sales Corporation after the expiration of the old public purchase contract, and that a letter directing the RFC to make this payment was awaiting the signature of John W. Snyder.⁵³ (Mr. Stein phoned Mr. Wells later in the day and informed him that this letter had been signed.)

With reference to a statement by Mr. Stein to the effect that RFC was very reluctant to pay this subsidy, Mr. Wright said that this was a very effective means of ending discussion of the nitrate problem, excepting disposal of U.S. Government plants, once and for all.

825.6352/11-2745 : Telegram

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

SANTIAGO, November 27, 1945.

[Received November 27—9:01 p. m.]

1476. Local press recently carried stories with Washington datelines stating definitely that United States official agencies would continue purchases of Chilean copper at least through June 1946. Foreign Office has inquired whether Embassy has received any confirmation. I should appreciate receiving urgently any information throwing

⁴⁹ Quoted in telegram 662, August 15, 3 p. m., to Santiago, not printed.

⁵⁰ Office of War Mobilization and Reconversion.

⁵¹ Reconstruction Finance Corporation.

⁵² Division of North and West Coast Affairs.

⁵³ Director of the Office of War Mobilization and Reconversion.

light on this situation which can appropriately be communicated to Chilean authorities.

BOWERS

825.6352/11-2745 : Telegram

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

WASHINGTON, November 29, 1945—7 p. m.

909. Urtel 1476 Nov 27. Dept and other Govt agencies have been discussing proposal to resume public purchase of copper until June 30, 1946 in relation to domestic needs for reconversion. Lack of appropriations prevents commitments involving subsidies beyond that date. No decision has been reached yet. Decision will be communicated to you promptly when made. All of foregoing may be communicated to Chilean authorities.

Solely for info of Embassy Dept has sent formal recommendation to OWMR.⁵⁴ Recommendation was that until June 30, 1946 our Govt purchase sufficient copper from producers in Chile, Peru and Mexico, after allowing for exports to other countries, to maintain production in each country at 1934-38 annual average levels. It is understood domestic agencies are planning similar recommendation for public purchases on ground that substantial purchases will be necessary to prevent domestic reconversion bottlenecks. Although no decision has yet been made it appears likely that approval will be forthcoming for total copper purchases of between 25,000 to 35,000 tons per month probably for delivery in the months of March to June 1946 inclusive. Proportion of purchases to be made from Chilean producers probably will depend on comparative prices offered by producers in Chile, Peru, Mexico, and Canada.

BYRNES

**INTEREST OF THE UNITED STATES IN THE STATUS OF CHILE'S
EXTERNAL DEBT AND POLICY TOWARD ADVANCING CREDITS FOR
CHILEAN DEVELOPMENT**

825.51/7-245

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

No. 12,368

SANTIAGO, July 2, 1945.

[Received July 12.]

SIR: I have the honor to refer to my Airgram No. A-306 of June 20, 1945,⁵⁵ in which it was reported that Sr. Alfonso Fernández, Manager

⁵⁴ Contained in letter from the Secretary of State to the Director of the Office of War Mobilization and Reconversion, November 23, 1945. The recommendation was based in part upon the obligations assumed under Resolution XXI of the Mexico City Conference to adopt measures that would minimize adverse consequences of economic adjustments. (800.6352/11-2345)

⁵⁵ Not printed.

of the Caja de Amortización (the Government's debt-service agency) had indicated the possibility that the Chilean authorities may be considering a new debt-composition offer to foreign bondholders, presumably involving the writing down of principal and the fixing of revised rates of interest.

The statements by Sr. Fernández which served as the basis for this report were made in an informal interview on June 20 with Messrs. Clarence C. Brooks, then Economic Counselor of the Embassy, and Charles F. Baldwin, now Commercial Attaché. During the conversation Sr. Fernández asked his callers "what they would think" of an offer by Chile to revise its present external national debt with a view to bringing it more into line with the country's actual financial and economic resources than it is at present. His remarks during the brief discussion which followed were so phrased as to leave it uncertain whether he was simply turning the idea over in his own mind, or whether the Government might now be considering such a move.

This aspect of Chile's financial situation was the subject of two despatches from the Embassy last year—No. 9003 of March 2, 1944, and 9094 of March 10, 1944, both entitled "Chile's Attitude Towards Payment of External Debt,"⁵⁶ (file no. 851 Foreign Debt). Both of these previous reports were also based on conversations between Sr. Fernández and officers of the Embassy. It will be recalled that at that time Sr. Fernández expressed his personal belief that full service of the external debt was impossible. Although it was true that Chile had made a good deal of money out of wartime exports of strategic materials, he maintained that these savings were sufficient to meet only a part of the demand which had been accumulated during the war for essential imports, such as machinery, transportation equipment, and raw materials, which the country needed if it were to progress economically. Articles published in the foreign press calling attention to Chile's large exports of copper and other materials and the consequent inflow of foreign exchange, and at the same time criticizing Chile for its failure to apply these funds to debt service, showed a complete lack of understanding of the country's real situation, he said. Convinced that Chile's "normal" balance of payments position is preponderantly unfavorable, he maintained that the country simply could not afford to service fully an external debt the face value of which is equivalent to nearly US\$350 millions.

The determination of Chile's real and prospective ability to service its foreign debt would obviously require a detailed analysis of the country's whole economy and its relations with other countries—a technical undertaking which would hardly be warranted until the mat-

⁵⁶ Neither printed.

ter reaches a less nebulous state than it occupies at present. Nevertheless, the presentation of certain background statistics and a tentative discussion of some of the considerations involved may not be amiss at this time. Sr. Fernández intends to visit both the United States and England this autumn, and the subject of the external debt might possibly arise during the talks which he undoubtedly will have in Washington.

[Here follows considerable detail on Chile's general financial condition and needs. Among other factors, Ambassador Bowers points out that the country's external debt as of December 31, 1944, in dollars sterling and Swiss francs, equalled approximately \$348,000,000; that rather large amounts of income had been ear-marked for internal needs; and that Chile was desirous of obtaining external assistance and investment for internal development purposes.]

Thus the real problem at present involves much more than the existing external debt. If Chile is to obtain the new funds which it desires and feels it needs, some recognition of the prior claims of the bond-holders may have to be accorded first, and it may well have been some such thought as this which lay behind Sr. Fernández' remarks mentioned at the beginning of this despatch. At Chile's present and prospective economic and financial levels, reconciliation of the claims of the bond-holders with the demands which will be made by new lenders and investors will not be easy. At present, moreover, the situation is complicated by the fact that applications for new foreign loans by Chilean organizations are not screened by a responsible credit-control authority. Although the Government must keep some sort of record of foreign loan authorizations granted from time to time in new legislation, the Embassy is not aware that the Government, or any of its agencies, has ever drawn up a carefully-constructed over-all credit program closely relating the country's really essential needs with its ability to pay for them. Instead, a much more haphazard policy seems to have been followed, based more on wishful thinking than on any technical calculations or justifications.

When this feature of the situation was mentioned by the Economic Counselor to Sr. Fernández, the latter agreed that Chile would be able to make a much better case for itself in future loan negotiations if it were to draw up a definite foreign-credit program, covering the estimated needs of the country as a whole for a definite period of years, and in which the cost of servicing the old and the new indebtedness could be closely—and demonstrably—correlated with the country's prospective exchange resources. The task of preparing such a plan, however, would be a formidable one. The Fomento Corpora-

tion⁵⁷ has had considerable experience in justifying its own applications to the Export Import Bank, but this has not been done on an all-inclusive, national basis. An attempt by a responsible Finance Ministry official to estimate Chile's foreign exchange resources for 10 years ahead, and then to allocate this exchange to various imports in relation to their essentiality, has had to be abandoned recently, due to the official's inability to obtain cooperation or worthwhile estimates either from private sources or from Government agencies themselves. However, more strenuous efforts would appear to be fully warranted by the importance of such a survey to Chile in connection with its future foreign credits, and it is to be hoped that it will eventually be accomplished. If a higher degree of organization and rationalization in the credit field could be achieved in Chile, particularly if this were to be complemented by a greater centralization of credit responsibility abroad such as would be afforded by the Bank for Reconstruction and Development proposed at Bretton Woods,⁵⁸ Chile's position in this respect would be immeasurably improved.

As of considerable interest in connection with the general question of Chile's debt-service policies, there is attached, as an enclosure to this report, a translation of a public statement⁵⁹ made last April by Sr. Santiago Labarca, at that time Finance Minister, which he handed to the press in reply to an article published shortly before in the London "Financial News." The British journal, after noting the large increase in Chile's foreign exchange revenues during the war, criticized the decline which has occurred in the amount devoted to service of external obligations during the last few years.

Sr. Labarca's reply to the latest criticism from abroad was published in the leading Santiago newspapers under the headline "Chile is Fulfilling Its Obligations to Holders of Bonds of the External Debt"—a summary statement which reflects fairly faithfully the general tenor of the Minister's remarks. Chile has regularly paid the interest called for by Law 5580, he says, and although most of the funds earmarked for amortization have had to be diverted to earthquake relief since 1939, he "takes pleasure in being able to announce that such redemptions [i.e., purchases of bonds at market prices] have nearly been restored to their normal level within the scope of Law 5580." This indication that bond purchases abroad are probably considerably larger this year than in 1944 was subsequently reported

⁵⁷ Corporación de Fomento de la Producción, a Chilean governmental corporation.

⁵⁸ For text of agreements pertinent thereto, signed December 27, 1945, see Department of State Treaties and Other International Acts Series 1501 and 1502, or 60 Stat. (pt. 2) 1401 and 1440. For documentation on the Bretton Woods Conference, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

⁵⁹ Not reprinted.

in the Chilean press to have resulted in a sudden spurt in the price of Chilean sterling bonds in London, from 22½ to 24½.

Publication of the Minister's statement was followed by the appearance of a number of editorials, all of which commented favorably upon it, thus indicating that, for public consumption at least, the Chilean press agreed with Sr. Labarca's opinion that "Chile is currently fulfilling, correctly, its obligations towards the holders of bonds of the External Debt."

Respectfully yours,

CLAUDE G. BOWERS

825.51/7-2445 : Telegram

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

WASHINGTON, July 24, 1945—6 p. m.

607. For confidential info of Emb, Board of Trustees of Eximbank considered request of Corporación de Fomento for financial assistance for construction of the steel mill. Chairman of the Board,⁶⁰ at suggestion of Dept of Commerce, requested that decision on this project be deferred until subsequent meeting of Board without prejudice to project.

Sec of Commerce ⁶¹ indicated he would be better satisfied if Chileans would make up comprehensive plan for economic expansion and would determine their overall need for foreign credit instead of making piecemeal approach. As result Bank will again request Chileans to prepare such a plan.

GREW

825.51/7-2545

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

No. 12,493

SANTIAGO, July 25, 1945.

[Received August 8.]

SIR: I have the honor to refer to my Airgram No. A-316 [A-306] of June 20, 1945,⁶² and Despatch No. 12,368 of July 2, 1945, the latter entitled "Possible Revision of Chile's External Debt" (both file no. 851—Foreign Debt). As a supplement to these previous reports there is transmitted as Enclosure No. 1 to this despatch a memorandum of a recent conversation ⁶² on the same subject between Sr. Alfonso Fernández, General Manager of the Caja de Amortización (the Government's debt-service agency) and a Secretary of the Embassy.

⁶⁰ Leo T. Crowley.

⁶¹ Henry A. Wallace.

⁶² Not printed.

Sr. Fernández made it clear in this conversation that serious consideration is being given to the advisability and possibility of reducing the nominal value of Chile's external debt to a level at which the country would find it possible, on the basis of the probable foreign exchange resources available for that purpose, to offer satisfactory service terms to foreign bondholders. It appears from Sr. Fernández' remarks that the Government as yet has no definite figures in mind. The possibility mentioned by Sr. Fernández that a relatively favorable conversion rate might be made available to the original purchasers of Chilean bonds who still retain their securities, whereas only a "reasonable return" would be given to persons who had bought bonds in recent years as a speculation, is particularly interesting.

Just what portions of Chile's over-all external debt would be included in any such revision is still not clear. In the interview covered by the attached memorandum, Sr. Fernández at all times spoke as though he had in mind only that part of the debt which is now covered by the provisions of Law 5580 of January 31, 1935, and which is serviced by the Caja de Amortización. This includes the direct funded debt and part of the guaranteed debt, the latter consisting chiefly of municipal and mortgage bonds. There has been no indication that Chile would attempt to include such indirect obligations as those of the Fomento Corporation to the Export-Import Bank in any such plan. The status of the "short-term" foreign banking loans and the (sterling) notes held by certain portworks' contractors is uncertain. These are covered by individual agreements with the holders of the notes or obligations, which in the past have been periodically renewed. In view of the Government's attitude in the Guaranty Trust Company case last year (Embassy's despatch no. 273 of June 20, 1944,⁶³ entitled "Partial Retirement of Chilean External Short-Term Debt", file no. 851) it appears likely that if an over-all debt composition plan is put forward, holders of these short-term notes may find that when their present agreements next come up for renewal the Government might offer new terms to them as well. It seems most improbable, however, in view of Chile's obvious anxiety to contract large new foreign loans and credits, that any attempt will be made to revise the indebtedness incurred in recent years under lines of credit extended by the Export-Import Bank or by private banks or manufacturers in the United States to semi-governmental Chilean organizations. Service of such obligations is not performed by the Caja de Amortización.

Sr. Fernández clearly had in mind, when discussing the debt plan, the allocation to service of the "new" reduced debt, of the same Government revenues which are now earmarked for that purpose.

⁶³ Not printed.

Whether or not these funds would be sufficient to provide satisfactory service under any such plan is open to question. From the table on page 3 of the Embassy's despatch no. 12,368 cited above, it will be seen that total debt service revenues have fallen from a high of US\$ 14 million in 1938 to US\$ 6.6 millions in 1944. The decrease of about 35 percent which has taken place in the last three years (from US\$ 10 millions in 1942, to US\$ 6.6 millions in 1944) is due primarily to a substantial increase in the costs of production of the large American-owned copper companies, which has reduced their profits and, accordingly, the income taxes which they pay to the Government. It is difficult to see how the Government's revenues from copper and nitrates now allocated to debt service under the provisions of Law 5580 could be stabilized in such a way as to provide satisfactory assurances to bondholders. The outlook for both copper and nitrate in the postwar period is uncertain, and the Government might well have to earmark additional sums for the purpose indicated.

One of the most interesting points involved in this whole question is the conversion rate which Chile could afford to offer to original purchasers of its bonds, and which the latter would be willing to accept. In this connection the remarks of a bondholder who recently wrote to the Embassy are of considerable interest.⁶⁴ In his letter he stated that he bought one US\$ 1,000 Chilean bond at 93¼, presumably in 1927 or 1928. On this bond he received US\$ 270 interest up to the time of default. When the debt reorganization offer of 1935 was made he sent his bond to the Government's fiscal-agent in New York for stamping, since which time he has received a total of US\$ 128.11 in interest. Thus, of his original investment of US\$ 932.50, he has had returned to him in the form of interest a total of US\$ 398.11. His actual net investment in the bond is accordingly US\$ 534.39. There would thus appear to be some possibility that if original bondholders were offered new bonds for approximately 50 percent of the nominal value of their present holdings they might be willing to accept the Government's proposition, which would enable them, at least, to get the greater part of their money back—assuming that the new bonds would be quoted around par—although without interest.

Enclosure no. 2 to this despatch ⁶⁵ contains the text of a memorandum which was issued in the United States, in English, under date of March 12, 1935, by the Chilean Special Financial Commission which went to the United States ten years ago to submit the debt reorganization plan contained in Law 5580 to American holders of Chilean bonds.

⁶⁴ See despatch no. 12,227 of June 5, 1945, entitled "Inquiry Regarding Chilean Dollar Bonds from Mr. Ed M. Wiggins, Lynchburg, Ohio", file no. 350. [Footnote in the original: despatch 12,227 not printed.]

⁶⁵ Not printed.

This is transmitted in the thought that the background which it gives on the first debt composition offer is of interest and value at this time, when there appears to be every likelihood of a new move, although along somewhat different lines. It need hardly be added, however, that statements made by the Commission in 1935 as regards the terms of service under the plan, have been substantially modified by occurrences in subsequent years. Since 1939 nearly US\$ 25 millions have been withheld from amortization of the debt and have been diverted to the Reconstruction Corporation. As it appears unlikely that these funds ever can or will be restored for their original purpose, the definite elimination of this "indebtedness" may possibly prove to be an important feature of whatever plan the Government eventually proposes. Foreign bondholders have also been denied the funds which they in all probability expected would accrue to the debt-service fund as a result of Chile's large wartime exports of copper. Rising production costs, as mentioned above, are partially responsible. In addition, as the result of a special agreement reached late in 1941 between the United States and Chilean Governments, an increase of $1\frac{3}{4}$ cents per pound in the price of Chilean copper was granted, but Law 7160 of January 20, 1942 taxed away $1\frac{1}{4}$ cents per pound of these increased revenues to the copper companies. Had this additional income been taxed under the income tax law, part of it would have gone into the debt-service fund. As they were subjected to special taxation, however, this was not the case, and the Government's revenues from this source have been devoted to a variety of domestic projects.

Sr. Fernández appears to be sincerely anxious to discuss this whole question in detail when he arrives in Washington sometime towards the end of this year. As is noted in the attached memorandum, he wishes to restrict his contacts at this time to Government circles and desires to discuss the matter with persons in the Government who would not only be able to talk to him on a policy level but would also be familiar with the technical details of such operations. It has been suggested to Sr. Fernández that when he arrives in Washington, he call first at the Department of State, where he could not only discuss the matter, but could also be put in touch with other officials of the Government who would be interested in the problem.

One additional aspect of the matter should, perhaps, be mentioned in conclusion. Sr. Fernández has now discussed the question of debt revision on two occasions with officers of the Embassy. In doing so, he must have realized that a report would be made to Washington. This gives rise to a question as to the motives which led Sr. Fernández to bring the matter up as he did. It may well be that, as he expects to spend only a relatively short time in Washington, he simply feels that it would be to his advantage to have some thought given to the

matter prior to his arrival, so that his talks could be expedited. A more interesting possibility is that he is sending up, as delicately as possible, a trial balloon. The attitude of the United States Government will obviously be a most important factor in determining the Government of Chile's ultimate decision. As matters now stand, if the United States' reaction should prove to be entirely and emphatically negative, the Chilean Government could always deny that it had ever had any such idea in mind, and attribute the whole affair to Sr. Fernández. On the other hand, the possibility also exists that the authorities may feel that by advancing an implied threat to repudiate a substantial part of the national debt at this particular juncture, the country's bargaining position with regard to assistance requested from the United States might thereby, in one way or another, be improved. This motive may not exist in the situation but the possibility of its existence should not be overlooked.

Respectfully yours,

CLAUDE G. BOWERS

825.51/9-1045

The Assistant Chief of the Commodities Division (Burns) to the Chief of that Division (Kennedy)

[Extracts]

[WASHINGTON,] September 10, 1945.

You suggested this morning that it might be wise for the Export-Import Bank to anticipate the contingency that the conversations of the Department with the President of Chile,⁶⁶ during his forthcoming visit here, might indicate the desirability of extending a loan to Chile to tide that country over the transitional period between termination of government purchase agreements and the resumption of full-scale private trade.

This Division's position is that the Export-Import Bank should definitely ear-mark a portion of its funds for a possible loan to Chile, at least until the outcome of President Ríos' visit is clear.

Chile's post-war readjustment problem

Copper and nitrates, both under public purchase throughout the war, account for the bulk of Chile's exports, as indicated below:

Chilean Exports to all Countries

	1937	1943
Total, all commodities	\$190,000,000	\$179,000,000
Copper	104,000,000	108,000,000
Nitrates	39,000,000	30,000,000

⁶⁶ Juan Antonio Ríos Morales.

Copper. Chilean exports of copper to all countries amounted to approximately 500,000 tons annually during the war years (virtually all to U.S.), as compared with 350,000 tons annually before the war (virtually none to the U.S.). All of the U.S. copper imports from Chile during the war were under public purchase, (80 to 85% at basic price, the remainder being cash subsidized).

Conclusion. The trade readjustments which Chile must face this year in copper and next year in nitrates will impose a considerable strain on the Chilean economy.

Chile's copper exportation will shrink, on an *optimistic* estimate, by \$24,000,000 below the war-time level; on a *moderately* favorable estimate by \$58,000,000 and on a *pessimistic* estimate by \$96,000,000 below the war-time level.

In the following year, there may be a shrinkage of \$10,000,000 in Chile's nitrate trade.

These figures represent a very large share of Chile's total export trade of all commodities, (\$190,000,000 in 1937 and \$180,000,000 in 1943).

It seems very likely that the President of Chile may raise the question of a loan. If this Government decides to deal with the Chilean readjustment problem by means of a loan, the Export-Import Bank ought not to have all its funds obligated to other countries in advance of the Chilean discussions. This does not mean that a dollar loan for the purpose of easing the transition should necessarily be made to Chile. Such a loan, if requested, should be carefully examined by the appropriate agencies before a decision is made.

825.51/9-2045

*Memorandum by the Chief of the Division of Foreign Economic Development (Phelps)*⁶⁷

[WASHINGTON,] September 20, 1945.

A recent report prepared by Mr. Burns⁶⁸ of CD⁶⁹ covered a memorandum⁷⁰ from Mr. Kennedy⁷¹ to Messrs. Clayton, Thorp and Wilcox suggesting the earmarking of Eximbank funds for a possible loan to Chile. This report reviews the prospects of Chile for post-war exports

⁶⁷ Addressed to the Director of the Office of Financial and Development Policy (Collado), to the Assistant Secretary of State (Clayton), and to Mr. Willard Thorp, Deputy to the Assistant Secretary of State.

⁶⁸ *Supra.*

⁶⁹ Commodities Division.

⁷⁰ Not printed.

⁷¹ D. D. Kennedy of the Commodities Division.

of copper and nitrates and concludes that Chile may find such exports appreciably reduced in early post-war years and that financial assistance will therefore be required from the United States. It is then assumed, perhaps correctly, that the Eximbank is the only likely source of such assistance and suggests that funds be earmarked for further loans to Chile in order to assure that funds will be available when the need arises.

The fact that Chile is largely dependent on copper and nitrates and therefore in all probability will suffer through a substantial diminution in the export of these commodities in the early post-war years is widely recognized. Nevertheless, it may not be desirable to make further loans to Chile, nor is it necessary to earmark a portion of Eximbank funds for such purpose. At present there is outstanding to Chile \$13 million of Eximbank funds and \$7 million is available under unexpired credits. In addition the Board of Trustees has recently approved the Chilean Steel Mill credit of \$28 million and a further credit of \$5 million for hydroelectric development. There is a total credit availability to Chile from the Bank of \$53 million, most of which is for the use of the Fomento Corporation for economic development. With these funds and others available from national resources the Fomento Corporation has been attempting in every way possible further to diversify Chilean economic activities by a program of industrialization and other economic development, thereby lessening dependency upon copper and nitrates. This is the only reasonable procedure for improving Chile's unfortunate economic position. The Fomento Corporation has made substantial progress both through studies of various possibilities for economic diversification and through the establishment of particular industries. Everything considered, it is believed that the Fomento Corporation has operated effectively and will continue to do so.

The copper companies may be induced to support production through accumulation of copper stocks in the period of reduced demand immediately ahead to the extent that it is reasonable to do so. It is not considered probable that output will be reduced much below the level of pre-war exports for any considerable length of time. Nor would it be desirable through artificial measures to hold production and export at the levels attained during the war years. While it may eventually be considered advisable to aid Chile during the early post-war years through additional financial assistance no direct measures, such as the ones suggested in the report under reference, are necessary at this time. In this connection it should be observed that President Ríos will visit Washington early in October and that the question of further financial assistance will probably be raised at that time.

825.51/9-2445

*Memorandum of Conversation, by the Chief of the Division of Foreign
Economic Development (Phelps)*

[WASHINGTON,] September 24, 1945.

Participants: Ambassador Mora, Chile
E.G. Collado, State
D.M. Phelps, State

Ambassador Mora discussed at some length the economic position of Chile in the early post-war period. Evidently he had spoken with officials of the copper companies in New York and had found them pessimistic in regard to the likely demand for copper in immediately forthcoming years. They stressed the competition of plastics and the effect of war scrap and other adverse factors on the market for new production. According to Ambassador Mora the copper companies feel that total annual demand in the next few years will be substantially less than that in pre-war years, that is, less than 350 thousand tons annually. In view of this possibility in demand he said that Chile was thinking in terms of public works to prevent too large a measure of unemployment. Upon questioning he said that they were thinking of projects for irrigation, highways (particularly feeder roads), and low cost housing for workers.

An ambitious program has evidently been prepared which will call for substantial quantities of heavy equipment and some construction materials and supplies of a variety of types. In order to purchase items in the U.S. the Chilean Government would like to secure a loan somewhere in the neighborhood of \$5 million which would be used over a period of years as importations of equipment and materials became necessary to implement the program. Ambassador Mora requested that the matter be given consideration prior to the visit of President Ríos on October 11 and volunteered to make available various documents dealing with the public works program. These documents were left with the Department later in the day. It was indicated to Ambassador Mora that the matter would be given thorough consideration by the Department before President Ríos' visit.⁷²

⁷² President Ríos left Santiago for the United States on September 26 and returned November 26. In a statement on the visit, released to the press by the White House, October 16 (Department of State *Bulletin*, October 21, 1945, p. 648), President Truman stated: "President Ríos of Chile left Washington yesterday after an official visit, during which it was my privilege to have him as a guest at the White House. It was a great pleasure to meet him, not only as a friend and statesman but also as the representative of a democratic people and a functioning democracy.

"We discussed the mutual desire to strengthen the solidarity of the republics of the Western Hemisphere on the basis of the ideals for which the war was fought and won."

825.51/9-1145 : Telegram

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

WASHINGTON, September 27, 1945—5 p. m.

777. Chilean steel mill project approved by Board Trustees Exim-bank Deptel 728 Sep 11⁷³ authorized amount not exceeding \$28,000,000 to Fomento to assist financing purchase U.S. equipment and services subject to such conditions as Bank may require including assurances satisfactory to Bank with regard to following points: Unconditional guarantees by Govt Chile as to repayment credit and interest and availability of dollars to effect such payments. Availability of such Chilean investments as may be necessary to meet local currency expenditures including working capital and other expenditures necessary to complete project. Management and utilization first class American technical services with regard to design construction and operation of project.

Credit to be available through Dec 30, 1948 and advances to be repaid in installments over period not exceeding 20 years from that date. Rate of interest on outstanding balances not to exceed 4% per an.

Board also approved second line of credit \$5,000,000 to assist in carrying out other Fomento projects. Of this amount approximately \$2,000,000 may be used in purchase equipment for hydroelectric power plant and associated facilities to meet power requirements steel mill project. Advances to be repaid in installments over 5 year period from date each note and outstanding balances carry interest 4% per an.

All above subject to final action by Bank. Details loan agreements to be worked out with Dept and Corp.

ACHESON

825.51/9-2745 : Telegram

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

SANTIAGO, September 27, 1945—7 p. m.

[Received 9 : 52 p. m.]

1237. As stated in my despatch 12599, August 10,⁷³ I do not believe further credits should be granted to Chile on piecemeal basis (supplementing my telegraph 1225, September 26, 2 p. m.⁷³) and unless detailed examination of each project establishes reproductive nature and creation of foreign exchange enabling additional debt service to be paid. Accounting methods here are so complicated that it is impossible to determine what percentage of national revenues could safely be applied to additional debt service.

⁷³ Not printed.

If Chile would put house in order, establish sounder administrative practices, eliminate superfluous costly expenditures, and work harder as a nation there might be potential basis for further external financing, but unless present downward trend is halted and sounder policies adopted Embassy feels that only justification for proposed public works loan would be for political and intangible considerations which only Dept. and other interested agencies there could evaluate.

If such considerations are deemed decisive I recommend that further extension of credits be made contingent on definitive agreement between the two Governments on following points:

1. Presentation of comprehensive overall plan by Chile indicating total credits required to accomplish program.
2. Elimination of objectionable exchange control practices.
3. Rationalization of entire external debt situation.
4. Improvement of budgetary methods and curtailment of governmental extravagance.
5. Negotiation of comprehensive trade agreement.⁷⁵
6. Simultaneous public announcement in both countries of overall agreement arrived at.

BOWERS

825.51/11-2745 : Telegram

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

WASHINGTON, November 27, 1945—8 p. m.

905. Eximbank has announced following to Press for release Nov 27.

Two loan agreements were signed today between Eximbank and Fomento Corp of Chile. First of these agreements provides for line of credit \$28,000,000 to finance purchase of US equipment materials and services required for construction of an integrated iron and steel plant near Concepción, Chile by a new corp to be known as Compañía de Acero del Pacífico.

Fomento Corp has undertaken to raise from Chilean sources funds needed for all expenditures in Chile in connection with construction and operation of plant and for any expenditures in US in excess of \$28,000,000 provided by Eximbank. It is estimated that Chilean investment in project will be approximately \$25,000,000.

Experienced US technical assistance is to be used in design engineering construction and operation of plant which will produce pig iron, heavy structurals, light structurals, rails, galvanized sheets, wire pipe, and other iron and steel products.

Credit is fully guaranteed by Republic of Chile. It is to be avail-

⁷⁵ For documentation on trade matters, see pp. 824 ff.

able until Dec 31, 1948. Advances under credit are repayable in 40 semiannual installments first of which becomes due on June 15, 1949. They will bear interest at rate 4 percent per annum on unpaid principal balance.

The second loan agreement provides for line of credit of \$5,000,000 to Fomento Corp. Of this amount \$2,000,000 will be used to finance acquisition of such facilities as may be necessary to furnish electric power to new iron and steel plant. Repayment of advances under this line of credit is also guaranteed by Republic Chile.

BYRNES

825.51/11-2745

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

No. 13,107

SANTIAGO, November 27, 1945.

[Received December 5.]

The Ambassador has the honor to refer to the Department's telegram no. 886 of November 19, 1945, and the Embassy's telegram in reply no. 1456 of November 21, 1945,⁷⁶ both sent in connection with the prospective renewal, on November 27, 1945, of the existing amortization agreement covering Chilean short term dollar notes for which the Guaranty Trust Company of New York and Kuhn, Loeb and Company act jointly as fiscal agents for the actual holders of these securities.

There is attached a transcript of Decree No. 4909 dated November 22, 1945,⁷⁷ authorizing renewal of the present agreement for a period of three years as from November 27, 1945. The copy of the decree transmitted herewith has been received from Carlos Boetsch, local attorney who has been acting on behalf of the Guaranty Trust Company, who received it from the Finance Ministry. The enclosed text is accordingly believed to be correct but cannot be considered as official until the decree is published in the *Diario Oficial*.

As Decree No. 4909 is said by the Finance Ministry to be the same as the decrees which have authorized previous renewals of the amortization agreement, no translation has been made. Briefly, it authorizes Chile's Ambassador in Washington to sign with the Guaranty Trust Company and Kuhn, Loeb an agreement extending the present agreement for three years, as noted above, and providing for payment of interest on outstanding balances at the rate of 1 percent per annum; amortization of principal at the rate of 2½ percent per annum on the original face value of the *vales*; and a service commission of ¼ of 1 percent on interest and amortization. Actual holders of the *vales* are

⁷⁶ Neither printed.

⁷⁷ Not printed.

authorized to exchange their securities, at any time during the life of the agreement, for Chilean internal debt 7 percent bonds calculated at par and converted at the rate of 6.458 paper pesos per dollar or 31.3 paper pesos per pound sterling. Article 4 of the decree extends the "equal treatment" clause which provides that if the Government redeems any of its external short term indebtedness, the terms extended in such an operation will likewise be made available to the holders of the *vales* mentioned in the decree.

The nominal value of the Chilean *vales* covered by the decree, as of November 27, 1945, is as follows:

Series	"A"	US\$	54,223.50
	"B"	US\$	1,400,000.-
	"C"	US\$	182,790.65
	"D"	£	43,378-16-0

W. E. D[UNN]

DISCUSSIONS BETWEEN THE UNITED STATES AND CHILE REGARD- ING TRADE CONTROLS AND TRADE AGREEMENT ⁷⁸

103.9169/1-845

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

No. 11,422

SANTIAGO, January 8, 1945.

[Received January 19.]

The Decentralization Plan of Export Control ⁷⁹ was adopted with some enthusiasm by the National Foreign Trade Council ⁸⁰ when that plan was first announced and when it encompassed all commodities imported into Chile from the United States. As articles and materials were removed from the Plan, however, the Council lost some of its enthusiasm and evidenced a growing impatience for the entire removal of the requirement of Import Recommendations. The Embassy feels that this attitude was justified, at least in part, by valid considerations. It has never been clear to the Council, for example, why the requirement of Import Recommendations should be removed in respect to the importation of important commodities such as chemicals and pharmaceuticals, machinery, and various industrial machinery known to be in short supply, but still had to be maintained in respect to iron and steel and textiles which are the principal items

⁷⁸ For previous documentation on trade controls and shipping problems, see *Foreign Relations*, 1944, vol. VII, pp. 738 ff.

⁷⁹ A plan of the Foreign Economic Administration which provided that virtually no materials could be imported from the United States without a "preference request" issued by the country of destination.

⁸⁰ A term used by the Foreign Economic Administration to designate the Chilean "country agency".

now remaining under the Decentralization Plan. The failure of the National Foreign Trade Council to understand the distinction between these two groups has only been emphasized by the enormous amount of iron and steel which has been licensed for export from the United States to Chile without regard to established quotas or estimates of supply. Many of these licenses, moreover, have been issued without prior consultation with the National Foreign Trade Council. The possible repercussions of the latter were suggested in the Embassy's airgrams nos. A-660 of September 9, 1944⁸¹ and no. A-675 of September 21, 1944,⁸¹ in which reference was made to threatened opposition on the part of the Chilean Country Agency respecting the importation of excess iron and steel stocks which it was felt might glut the market and serve as a basis for undesirable speculative activities which the Chilean Government has been trying to eradicate over a considerable period of time. The approval of these exportations from the United States has also been suggested as a basis for renewed requests for the approval of exports to Argentina of materials which have been imported into Chile beyond the actual needs of this country.

The National Foreign Trade Council has had to maintain on its staff several officers and clerks who concern themselves primarily with the administration of the Decentralization Plan in Chile. The Embassy is convinced that the Council would welcome an opportunity to divert the efforts of this personnel to more effective and more essential work by the elimination of the functions and responsibilities concerned with the processing of applications for Import Recommendations. Recent conversations between officials of the Council and members of the staff of the Embassy indicate that Exchange Permits are now being issued for textiles and iron and steel on a pro-rata basis in accordance with past imports or consumption of importers and consumers and within established quotas or estimates of supply so that there would seem to be some merit in the contention of the Council that the issuance of import Recommendations for these same commodities is merely an unnecessary and overlapping function.

From the point of view of importers of American merchandise in Chile, the complete removal of the requirement of Import Recommendations would be received as a welcome relief. To many of these importers this requirement has seemed an unnecessary irritant which embarrassed them in their efforts to compete with British traders from whom it has always been possible to make purchases without the procedural requirements which have heretofore characterized purchases of American merchandise under the controls imposed by the Decentralization Plan. British traders in Chile have lost no op-

⁸¹ Not printed.

portunity to impress this difference upon prospective purchasers of commodities which are obtainable in both the United States and Great Britain.

So far as concerns the attitude of the Embassy in respect to the foregoing, it is believed that, considering the difficulties of the National Foreign Trade Council in administering satisfactorily the Decentralization Plan in its present modified and simplified form, and when viewed in the light of the Council's understandable desire to simplify its procedures in every way possible by the elimination of unnecessary functions, the requirement of Import Recommendations in respect to the few remaining items which now appear on the positive list would seem to serve only as a source of irritation without accompanying benefits commensurate with the difficulties involved.

For its part the Embassy could likewise effect a realignment of its personnel in such a way as to give greater emphasis to work of an increasingly important nature such as the preparation of reports and replies to independent inquiries received from the Foreign Economic Administration, the Department of Commerce, and other agencies in Washington, if Decentralization were eliminated in its entirety in Chile. It is felt that should the control of exports from the United States to Chile be again centralized in Washington the gain would more than offset the loss inasmuch as the few items which now remain under control would remain so far as concerns the individual export license to be issued by the Foreign Economic Administration in Washington. It is felt, moreover, that the Chilean authorities have grasped the spirit and significance of the Decentralization Plan and to that extent the Plan has had a salutary effect in this country. Its objectives are now being accomplished by the National Foreign Trade Council in the issuance of foreign exchange permits on a fair and proportionate basis within the limitations imposed by supply considerations, which is the principal reason underlying the belief that the imposition of the present additional controls on the few items now subject to the requirement of Import Recommendations is no longer necessary.

The foregoing is set forth herein to serve as a basis for the recommendation of the Embassy that, if at all consistent with the war program of the Foreign Economic Administration, consideration be given at the earliest opportunity to the advisability of eliminating the Decentralization Plan of Export Control completely so far as concerns Chile. The considerations outlined above have been discussed thoroughly with the Special Representative of the Foreign Economic Administration in Santiago ⁸² and with the Assistant to the

⁸² Sam D. W. Low.

Special Representative in Charge of Exports, and these officials concur in the views of the Embassy as expressed herein.

The Embassy would appreciate being informed respecting the decision of the Foreign Economic Administration in this matter.

C. G. B[OWERS]

103.9169 : Airgram

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

SANTIAGO, March 17, 1945.

[Received March 24—6 p. m.]

A-124. For FEA. In reply to the first question raised in the Department's airgram no. A-120 of March 7, 1945,⁸³ it may be stated that although the original proposal of the National Foreign Trade Council (Chilean Country Agency) for the elimination of the remainder of the Decentralization Plan was presented orally in the form of a suggestion, the suggestion was sufficiently definite to the [be] considered tantamount to a request. However, for the purpose of obtaining the views of the Council in writing the Embassy has again discussed the matter with the appropriate officials and is now in receipt of a letter dated March 14, 1945 from the Executive Vice President of the Council, a translation of which reads as follows:

[Here follows text of translation of letter of March 14, 1945.]

With reference to the suggestion in the National Foreign Trade Council's letter that a list of exchange permits granted by the Council be used as a guide in the granting of export licenses in Washington, the Embassy has subsequently explained to the responsible officials of the Council that such an arrangement is quite unlikely in view of the fact the broad scope of operations of the licensing procedures in the Foreign Economic Administration would seem to preclude singling out one country for such specialized attention. The officials of the Council have evidenced complete understanding of the problems involved and the Acting Vice President of the Council even offered to recall his letter for the purpose of withdrawing the suggestion in question. As a matter of courtesy, however, the Embassy agreed to transmit for the consideration of the appropriate authorities in Washington the full text of the Council's letter in order that the ideas of the Council on this subject may be reviewed in their entirety. It is believed that this comment will serve to answer the second question asked in the Department's airgram under reference.

This airgram has been prepared in collaboration with the Special Representative of the Foreign Economic Administration in Santiago and the Assistant Representative in Charge of Exports, who concur.

⁸³ Not printed.

The Embassy would appreciate being informed of the final decision made by the Foreign Economic Administration in respect to the proposal of the National Foreign Trade Council for the elimination of the remainder of the Decentralization Plan of Export Control insofar as that Plan applies to Chile.

BOWERS

611.2531/5-745

Memorandum of Conversation, by the Assistant Chief of the Division of Commercial Policy (Smith)

[WASHINGTON,] May 7, 1945.

Sr. Illanes⁸⁴ called at the Department and left with me the attached memorandum.⁸⁵ I told him that I was greatly surprised that the Department had apparently not received from the Embassy at Santiago the proposals referred to, but that, following his brief telephone message on May 3, a telegram had been sent to Santiago inquiring about the matter and that an answer was momentarily expected. I also mentioned that I had spoken to Fernando Illanes⁸⁶ at Mexico City during the recent Conference, and he mentioned that proposals had been given to the American Embassy by the Chilean Foreign Office.

The Commercial Counselor expressed the opinion that the recent action which had had the effect of increasing Chilean import duties had been self-defeating, in that the increases had been so large that trade had been stifled and government revenues from tariffs on the affected items had therefore declined.

Sr. Illanes emphasized that the current proposals of the Chilean Government were not in the nature of counter-proposals to those which this Government had presented many months ago for a formal trade agreement; that the current proposals merely suggested a broadening of the existing *modus vivendi*⁸⁷ which would provide for a number of tariff reductions by Chile without a specific *quid pro quo* by the United States. Sr. Illanes inquired whether an agreement of this type could be concluded quickly and without reference to the authority of the Trade Agreements Act.⁸⁸ I told Sr. Illanes that

⁸⁴ Chilean Commercial Counselor.

⁸⁵ Not printed.

⁸⁶ Secretary, Chilean Economic Controls Commission, and a delegate to the Inter-American Conference on Problems of War and Peace held at Mexico City February 21-March 8, 1945.

⁸⁷ Provisional commercial agreement between the United States and Chile effected by exchange of notes signed at Santiago on January 6 and February 1, 1938; for text, see Executive Agreement Series No. 119, or 52 Stat. 1479. For documentation regarding this agreement, see *Foreign Relations*, 1938, vol. v, pp. 421 ff.

⁸⁸ Approved June 12, 1934, 48 Stat. 943, and subsequently renewed.

from the picture as he had given it to me it would seem that such an agreement could be concluded as an executive instrument by this Government without reference to the Trade Agreements Act, as no changes in the United States tariffs were involved.

I told Sr. Illanes that I would get in touch with him as soon as we had heard from the Embassy at Santiago and that we would, of course, give the Chilean proposals our active and sympathetic attention as soon as they had been received from Santiago.

625.113/5-945

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

No. 12,078

SANTIAGO, May 9, 1945.

[Received May 20.]

The Ambassador has the honor to transmit herewith⁸⁹ copy of a proposal by the Chilean Government to grant the United States, for a period of one year or until a new trade agreement between the two countries may be consummated, a number of tariff concessions formerly granted by Chile to France. The proposal was received by the Embassy on April 21 but its transmission to the Department has been unavoidably delayed by the difficulties in obtaining data on Chile's imports for periods subsequent to 1942 showing the extent to which exports from the United States and other countries would benefit from the proposed concessions.

It will be observed that the Chilean Government declares that it desires to adopt measures designed to expand trade with the United States and other Allied nations in accordance with a policy of mutual concessions and close cooperation and thereby effectively implement the principles sponsored by the United Nations and the economic objectives of both the Atlantic Charter⁹⁰ and the recent Mexico City Conference.

It will be further observed that Chile, ostensibly as a gesture of appreciation of the frank and loyal cooperation manifested by the American delegation in connection with the agreements concluded at Mexico City, states that it is disposed at this time to grant import duty reductions without seeking any concessions in return.

Without any thought of questioning the reasons advanced by Chile for proposing duty reductions at this juncture, the Embassy feels that it should point out that the abrogation of the Franco-Chilean Com-

⁸⁹ Enclosures not printed.

⁹⁰ For text, see *Foreign Relations*, 1941, vol. I, p. 367.

⁹¹ For documentation on this Conference, see pp. 1 ff.; see also, Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945).

mercial Convention ⁹² in February of this year combined with the increased gold customs surcharge on imports, which became effective at the beginning of 1945, have resulted in the Government being roundly criticized by the press and various influential organizations for raising the cost of merchandise on one hand while on the other it is allegedly making every effort to control and reduce prices within the country. In addition, the Government has been subject to strong pressures by persons in private and commercial life to adopt measures of relief. Importers of the products formerly favored by the preferential duties of the Franco-Chilean Commercial Convention, have threatened not to clear their shipments from the customs claiming they would rather abandon the merchandise or return it to the country of origin than pay the higher imposts.* The Government, consequently, is faced with a loss of customs revenues. These considerations, the Embassy is convinced, have strongly influenced the decision to propose reductions in certain import duties.

For the information and guidance of the Department, there is enclosed such statistical material as the Embassy has been able to compile from official sources on the products imported into Chile in 1943 under 76 of the 82 tariff items which would be subject to lower rates. No figures have been obtainable on six items, namely, numerals 371, 378, 379, 380, 381 and 383, all covering cotton textiles. There is no detailed statistical information on the 82 tariff items for 1944.

The total value in gold pesos of the imports corresponding to the 76 tariff items is 34,603,286 gold pesos. The leading supplier was Great Britain with 15,351,285 gold pesos followed respectively by the United States with 7,525,419 gold pesos, Brazil with 6,022,767 gold pesos, and Argentina with 4,349,515 gold pesos. All other countries account for only 1,355,300 gold pesos. Brazil followed by Great Britain were the principal suppliers of the cotton textile items on which no figures have been obtainable. If statistical information for 1943 were available for all 82 tariff items it would no doubt show the position of the suppliers to be Great Britain first with Brazil a close second, followed by the United States in third place and Argentina holding fourth place.

An agreement in force between Chile and Great Britain, and treaties between Chile and Brazil and Argentina give these countries most

⁹² *British and Foreign State Papers*, vol. cxxxv, p. 1.

*See Embassy's Despatch No. 11,976 of March 15, 1945, entitled "Additional data on effects of cancellation of French-Chilean Commercial Convention and increase in customs surcharge", file No. 631/630. [Footnote in the original. Despatch 11,976 not printed.]

favorable nation treatment. Assuming that during the next 12 months they retain the positions held in 1943 as Chile's suppliers of the tariff items subject to concessions then the proposed Chilean duty reductions would prove to be more important to British and Brazilian trade than to the commerce of the United States.

It will be observed that the Chilean Government states that a note in acknowledgment of the note containing its proposal would constitute an agreement in the matter, and that the agreement would be construed as broadening the existing *modus vivendi*.

After the Department has had the opportunity to consider the Chilean proposition, the Embassy would appreciate receiving its views and a draft text of a note of acceptance of the Chilean proposal in the event it is believed that an agreement can be consummated in the manner that has been suggested.

611.2531/4-3045

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

No. 4934

WASHINGTON, May 25, 1945.

The Acting Secretary of State refers to the Embassy's despatch no. 12040 of April 30, 1945⁹³ enclosing the text of the counter-proposal of the Chilean Government for a trade agreement with the United States. Inasmuch as the Department has not received a copy from the Chilean Embassy, it is requested that, if it has not yet done so, the Embassy formally acknowledge the receipt by it, but indicating that it is not expected that serious study can be given to the proposal until the Congress has acted upon the bill now before it for the renewal and broadening of the Trade Agreements Act.

A preliminary examination of the Chilean counter-proposal, however, reveals that the Chilean Government has asked for at least two types of concessions which it would appear that this Government could not grant.

First, there is a request for this Government to place certain dutiable or taxable commodities, notably copper and manganese, on the free list. Under the present authority of the Trade Agreements Act, or even under the legislation now before the Congress, it would not be possible to transfer items from the dutiable list to the free list.

Secondly, Article V in the Chilean proposal apparently calls for permanent guarantees by this Government that minimum quantities of copper and nitrates, based upon the average imports during the last

⁹³ Not printed.

three years prior to this war, shall be imported by the United States from Chile, and that prices shall be not less favorable than those enjoyed by similar domestic products. This Government fully recognizes the importance of these two commodities to the economy of Chile and their major role in the international trade of the country; and it earnestly hopes that a satisfactory solution may be found to the post-war problems connected with those commodities. But purchases, or guarantees to purchase, minimum annual quantities of these or other commodities or guarantees of their prices on a permanent basis in the post-war period (which is what would apparently be required under the Chilean proposal if imports by private interests failed to reach a certain volume in any year or prices paid by private interests were below a certain figure), clearly could not be made in the absence of legislative authority to do so. It might be added parenthetically that it is highly unlikely the Congress would adopt legislation of such a character. To the extent that this proposal would involve the further development of state trading in the post-war period, as contrasted with a vigorous expansion of international trade by private competitive enterprise, it would run counter to one of the basic elements in this Government's recognized commercial policy. It is realized, of course, that agencies of this Government are engaged in operations at present which in normal times would be conducted by private business, but it is also this Government's intention that such governmental operations will be terminated as soon as war conditions permit.

The other proposal of the Chilean Government, referred to in the Embassy's telegram no. 597 of May 10, 1945,⁹⁵ to broaden its *modus vivendi* with the United States by granting many duty reductions to this country, seems to have been made partially in the expectation that this Government would accept the Chilean Government's counter-proposals, particularly in respect of copper and nitrates, for a formal trade agreement with the United States. It is believed advisable at the outset to eliminate any misunderstanding by the Chilean Government on this matter, and this point will therefore be covered in the reply that the Department will in the near future send to the Embassy for transmission to the Ministry of Foreign Affairs in response to the Chilean proposal for a temporary broadening of the present commercial arrangement.

There is enclosed for the information of the Embassy a memorandum of a recent conversation between the Commercial Counselor of the Chilean Embassy and officers of the Department ⁹⁵ covering certain of the foregoing points.

⁹⁵ Not printed.

611.2531/6-545

*Memorandum of Conversation, by Mr. William F. Gray of the Division
of Commercial Policy*

[WASHINGTON,] June 5, 1945.

Subject: Proposal of Chilean Government To Grant Duty Concessions
to the United States Based Upon the Former Franco-Chilean
Treaty of Commerce

Participants: Sr. don Mario Illanes, Chilean Commercial Counselor
Mr. Smith—CP
Mr. Gray—CP

Sr. Illanes called to find out whether the Department had completed its consideration of the proposal under reference. (Sr. Illanes had previously made several telephone inquiries in this regard, and it is evident that his Foreign Office has been urging him to try to obtain speedy action by the Department on the Chilean proposal.)

Mr. Smith informed him that instructions on this matter have left the Department for the American Embassy at Santiago. Sr. Illanes was told that the Chilean proposal has been accepted subject to certain qualifications set forth in a memorandum to be handed to the Chilean Foreign Office by the American Embassy.⁹⁶ The contents of this memorandum were discussed and Sr. Illanes evinced no displeasure over the qualifications, which, in brief, were:

- 1) That no publicity be given now to the Chilean proposal,
- 2) That the exchange of notes be deferred until the Congress has disposed of the trade agreements legislation,
- 3) That this Government, in accepting the proposal, does so without in any way obligating itself to give favorable consideration to some later proposal of the Chilean Government, and
- 4) That certain changes, chiefly editorial in character, be made in the note from the Chilean Acting Minister of Foreign Affairs (in which was presented the subject Chilean proposal).

Regarding point 2 of the above, Sr. Illanes was interested in knowing approximately when the Senate will have completed its action on the Act. He was told that we were hopeful that it would be around June 12, but, since debate would not be limited, the date of final action is of course uncertain.

(Sr. Illanes appeared both relieved and quite pleased that the proposal has been accepted by this Government and that instructions, accordingly, have left the Department for Santiago.)

⁹⁶ Not printed.

611.2531/6-545

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

No. 4954

WASHINGTON, June 5, 1945.

SIR: Reference is made to the Embassy's despatch no. 12078 of May 9, 1945 enclosing a proposal of the Chilean Government to grant unilaterally to the United States, reductions in import duties on a number of products on which Chile had granted concessions to France in the now-terminated treaty with that country, and statistical data compiled by the Embassy in this regard. The Department greatly appreciates the time and effort spent by the Embassy in obtaining statistical information to show the significance of the proposed concessions to United States trade with Chile in the commodities involved. While awaiting the original of the Chilean proposal, the Department received a copy from the Chilean Embassy in Washington and this has been used to study the proposal. The Department had noted what the Embassy has referred to as errata in the concession list, in that in the case of certain items "legal kilo" has been substituted for "net kilo", but it was assumed that this was intentional on the part of the Chilean officials. If these changes are in fact errata, the Embassy should point this out to the Chilean officials, and in any case it would be desirable to have "net kilo" used instead of "legal kilo".

The Department has also received from the Chilean Embassy a copy of an internal Chilean governmental memorandum, from the Ministry of Foreign Affairs to the Treaty Commission, setting forth various reasons why the proposed arrangement would be desirable from the Chilean point of view. A translation of this memorandum is enclosed ⁹⁷ for the information of the Embassy, in case a copy of it has not been furnished the Embassy by the Ministry of Foreign Affairs. If the Embassy has not received a copy, reference should not be made to it, in case the Chilean Embassy, in supplying a copy to the Department, did so without authorization. For this reason also, the Embassy will note that in the enclosed memorandum to be handed to the Ministry of Foreign Affairs,⁹⁷ reference has been made only to "the impression" received that the Chilean Government was to some extent linking the concessions now offered, with concession to be obtained from the United States in the future.

It has been decided to accept the Chilean proposal with the qualifications set forth in the enclosed memorandum which, if the Embassy perceives no objection, should as noted above be handed to the appropriate officials of the Ministry of Foreign Affairs.

⁹⁷ Not printed.

It is important that the Chilean officials understand clearly that in accepting this proposal, this Government is in no way committing or obligating itself to give favorable consideration to other Chilean proposals in connection with the negotiation of a formal trade agreement, provided that a basis for such an agreement can be established. This is particularly important in view of the fact that the Chilean proposals for a definitive trade agreement included requests for concessions of a type which cannot be granted even if the Congress acts favorably on the legislation now before it.

In view of possible public misunderstanding, it is also important that no publicity be given to the Chilean proposal, and that the exchange of notes on the subject not take place, until instructions to that effect have been received from the Department. You may inform the Chilean authorities that the delay desired should not be long, as it is hoped that action on the trade-agreements legislation may be completed by the Congress by June 12, the date on which the present authority expires, or shortly thereafter.

The Department is desirous of developing a program of modern treaties of friendship, commerce and navigation with the other American republics and with other countries, and the basis for the negotiation of such a treaty with Chile would be somewhat strengthened by a public expression of willingness on the part of the two governments to enter into such negotiations. You should therefore urge the Chilean officials to accept the proposal to that effect as set forth in the enclosed memorandum.

You are requested to inform the Department regarding the reaction of Chilean officials to the changes in the Chilean note proposed in the enclosed memorandum.

As a basis for later telegraphic communications on the subject, there is also enclosed a draft in English ⁹⁸ based on the inclusion of all of the Department's suggestions for revisions in the Spanish draft of the Chilean note. The United States reply note would be the same as that enclosed with the memorandum to be handed to the Chilean officials, except for the addition of the paragraph regarding the treaty of friendship, commerce and navigation, which can be added to both notes if acceptable to the Chilean authorities. The Department will transmit to you shortly, for discussion with the Chilean officials, a draft press release to accompany the texts of the notes when made public. It is important that the comment to be given to the press should be substantially the same in both Santiago and Washington.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

⁹⁸ Not printed.

611.2531/6-2745

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

No. 5012

WASHINGTON, July 2, 1945.

SIR: Reference is made to the Department's instruction no. 4954 of June 5, 1945, the Embassy's telegram no. 866 of June 27,⁹⁹ and related correspondence regarding the proposal by the Chilean Government to grant unilaterally to the United States, by means of an exchange of notes, certain reductions in import duties based upon rates in effect during the life of the recent Franco-Chilean Treaty of Commerce.

You are hereby authorized to proceed with the exchange of notes on the basis which has been outlined previously. However, the Department approves the Embassy's suggestion, at the end of the first paragraph of the telegram under reference, that the exchange be deferred until the Embassy has been notified by the Department of its receipt of the revised Chilean draft.

There is enclosed a draft press release¹ which the Embassy should discuss with the Chilean officials. If the latter have no objections to the proposed release, the Embassy should suggest that a statement in similar terms be issued in Santiago at the time the notes are exchanged.

When agreement has been reached with the Chilean Government on the foregoing matter as well as on all other points mentioned in previous instructions, the Embassy may establish the date for the exchange of notes² and for the issuance of the press release. It would be most convenient to have the press release issued at noon of whatever day is chosen. The Department should be apprised by telegram of the date selected several days prior to the date, so that there will be enough time to complete all necessary arrangements here.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

[A decision by the Foreign Economic Administration and the Department of State to liquidate the Decentralization Plan of Export Control as of October 1, 1945, was circulated to the diplomatic representatives in the American Republics, except Argentina, on July 14, 1945. For text of circular telegram of that date, see page 545.]

[In accordance with an exchange of notes between the Governments of the United States and Chile on July 30, 1945, the Chilean Govern-

⁹⁹ Latter not printed.

¹ For text of statement as released, see Department of State *Bulletin*, August 5, 1945, p. 188.

² The notes were exchanged July 30, 1945.

ment reduced import duties on certain commodities from the United States for one year, or for less than a year in the event that a more comprehensive agreement were reached, or that either party announced the termination, preceded by 30 days' notice. For texts of notes, see Department of State, Treaties and Other International Acts Series No. 1529, or 60 Stat. (pt. 2) 1713.]

103.9169 : Airgram

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

SANTIAGO, September 6, 1945.

[Received September 13—7 p. m.]

A-462. Coincident with the termination of Decentralized Export Control the Consejo Nacional de Comercio Exterior, the local exchange control authority, has requested the Embassy to inquire from the Washington authorities, on its behalf, what licensing and quota restrictions will be in effect covering products formerly under Decentralization. It cites urgently needed tinsplate as an example and presumes that an export quota will be established but, without knowledge of the quantity fixed, points out that it cannot grant exchange to individual applicants for its purchase on an equitable basis of distribution.

As previously reported the Consejo Nacional de Comercio Exterior requires a "Solicitud Previa" which is an application for a combination import license and authorization to acquire foreign exchange, which application must be made prior to the placing of a firm order for merchandise to be imported. Prior to the war, applications for exchange were not required until such time as the merchandise arrived and the importer wished to remove it from the customs warehouse. The Embassy sees in the present request a possible effort to obtain a commitment by which those of our licensing controls which are still found necessary will be tied to, or at least synchronized with, local import controls which by restrictive administration, have been misused to protect local industry by the exclusion of competitive products.

Two obvious solutions to the problem posed occur to the Embassy. First, that the Consejo be requested to supply the Embassy with a distribution list on a percentage basis which could be transmitted to Washington for the guidance of licensing officers. Second, that the Chilean Embassy in Washington and/or this Embassy be informed informally of approximate quarterly quotas for those materials likely to remain in short supply.

The Embassy has been requested to make a prompt reply to the

Consejo's letter and would appreciate a telegraphic response. When received the Embassy proposes to raise with the Consejo the entire problem of how it proposes to function in the future, with particular reference to some of the more discriminatory practices that have characterized its operation during the war period.

BOWERS

103.9169 : Telegram

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

WASHINGTON, September 19, 1945—5 p. m.

750. From FEA, Zopf.³ Your A-462, September 6. Pursuant Chapultepec agreements⁴ FEA exerting every effort abolish control quickly as possible. Considering abolishment Decentralization October 1st FEA abstains from assisting in establishment of or operation of any foreign import controls.

Due to changing supply conditions it is not practical to furnish estimates of supply.

Generally speaking applications will be processed on the basis of consignor guides, historical record and merits of individual cases.

Circular airgram on subject in mail. [Zopf.]

ACHESON

625.116/9-2645

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

No. 12,780

SANTIAGO, September 26, 1945.

[Received October 10.]

I have the honor to call the Department's attention to the increasing tendency on the part of the Consejo Nacional de Comercio Exterior (Chilean exchange control agency) to prevent the importation of merchandise for the purpose of according protection to local industry.

In this Embassy's unrestricted report No. 101 dated February 24, 1945,⁵ under the subject "Import and Exchange Controls in Chile", the operation of the Chilean exchange control system at that time was described. The Embassy subsequently reported to the Department a public statement of the President of Chile that strict control over exchange would have to be exercised by Chile for some time in the future. The necessity of husbanding Chile's exchange resources, particularly at a time when a decrease in the country's basic imports may occur, is

³ Homer Zopf, Chief of the Southern South American Division, Pan American Branch of the Foreign Economic Administration.

⁴ See *Final Act of the Inter-American Conference on Problems of War and Peace*, especially Resolutions XX and XXI.

⁵ Not printed.

appreciated. However, the use of exchange control as a barrier to imports, and not solely for the conservation of foreign exchange, seems definitely contrary to the Chapultepec and Bretton Woods agreements.⁶

As previously reported, Chilean exchange control regulations since 1932 have required an application for authority to purchase exchange as a condition precedent to release of merchandise from the customs warehouse. In 1939 this control was extended to require a "Solicitud Previa" prior to the placing of firm orders in foreign markets. In effect, this changed the rationing of available foreign exchange into the combined foreign exchange and import licensing system which now prevails.

By this system, the Consejo Nacional de Comercio Exterior, without specific published regulations, is arbitrarily preventing importations on the ground that similar products are being produced in Chile. Having once adopted this practice, the Consejo is naturally subject to increasing pressures by local industry for protection by this means.

Although the specific cases cited above are not in themselves particularly serious, in the aggregate they indicate a trend which may well become a serious trade barrier, particularly if foreign exchange available from the sale of nitrates and copper decreases substantially in the future and the Consejo is able to point to the reduced supply of foreign exchange as further justification for the strict curtailment of imports.

On several occasions, the Embassy has suggested to appropriate Chilean officials that exchange control should be administered on a priority or quota basis and that the Consejo should not consider itself the authority to determine when locally manufactured products should be given a virtual monopoly of the Chilean market. In other words, that the Consejo should limit its functions to allocating exchange and not to operating two forms of control; an exchange control and an import control. It has further been pointed out that the Chilean tariff is the proper means of furnishing such protection to local industries as the country deems necessary.

The reaction of Chilean officials to these observations has been polite but non-committal.

⁶ Agreements regarding the International Monetary Fund formulated at the United Nations Monetary and Financial Conference, held at Bretton Woods, N.H., July 1-22, 1944, and signed at Washington, December 27, 1945. For texts, see Department of State, *Treaties and Other International Acts Series* Nos. 1501 and 1502, or 60 Stat. (pt. 2) 1401 and 1440; for documentation on this Conference, see *Foreign Relations*, 1944, vol. II, pp. 106 ff. See also Resolutions XX, XXI, and LIII of the Chapultepec Conference, *Final Act of the Inter-American Conference on Problems of War and Peace*, pp. 59, 61, and 97, respectively; for documentation on this Conference, see pp. 1 ff.

The lack of information concerning the policies which the Consejo expects to follow in the future with regard to the granting of exchange is causing the Embassy serious concern. It has not been possible to find out whether the Consejo has made a careful estimate of Chile's essential requirements during the next six months or a year and established a system of quotas to be followed in connection with the issuance of exchange. The Consejo gives little publicity to its activities, and its decisions on general as well as specific cases are often either not announced publicly or announced sometime after the decision has been rendered. The Embassy has explained to the Consejo the desirability of making it possible for the Embassy to furnish the Department with information which in turn could be made available to American exporters so that they could have some idea as to how the Consejo expects to operate. For example, if the Consejo continues to require a "Solicitud Previa" in the case of all imports, American exporters will obviously wish to be informed that a Solicitud has been granted before making shipment. This matter is now under discussion between Embassy officials and officials of the Consejo and it is hoped that some clarification of the situation will be forthcoming soon. It is not believed, however, that these conversations will cause the Consejo to abandon its restrictive activities referred to above.

I have previously, in Despatch No. 12,599,⁷ submitted to the Department certain suggestions which might appropriately be discussed with President Ríos during his forthcoming visit to Washington. One of the points touched on in that despatch is the question of exchange control. I am even more convinced now of the advisability of bringing this question into the open while President Ríos is in Washington and stressing particularly the following points:

1. That present activities of the Consejo Nacional de Comercio Exterior exceed the mere enforcement of exchange controls for the purpose of conserving exchange and have become unreasonably restrictive in character.

2. That these activities of the Consejo are contrary to the Chapultepec and Bretton Woods agreements.

3. That they are unsound economically because they have the effect of protecting Chilean industry against healthy competition, and tend to foster monopoly, excessive profits and industrial inefficiency. In this regard it might well be pointed out that Chilean producers who are assured of "invisible" protection from the Consejo as well as tariff protection, may well be encouraged to increase prices of their products instead of increasing the efficiency of their plants and thus reducing operating costs and prices. In other words, the activities of the Consejo will contribute to the already serious Chilean problem of high prices.

⁷ August 10, 1945, not printed.

4. That the improper use of exchange control will not only create resentment in other countries but will probably result in insistent demands for counter-measures against imports from Chile.

5. That it is incongruous and inconsistent for the Government of the United States to be requested to extend credits to Chile—such as those extended by the Export-Import Bank to the Fomento Corporation—when the organizations benefiting from those credits, or their affiliated companies, are requesting the Consejo to prohibit imports from the United States. Emphasis on this point might serve to clear the thinking of some Fomento officials, in which case Fomento's influence might crystallize government opinion in other government circles on a favorable basis.

I feel that the matters discussed in this despatch are particularly pertinent to any discussion of a permanent United States–Chile trade agreement. At the present time, the question of exchange availability appears to be at least as important as the high Chilean tariff, as a factor limiting trade. Unless present practices of the Consejo are discontinued, it will be an even more important factor. Negotiating a permanent reciprocal trade agreement without first, or collaterally, providing for the elimination of prohibitive exchange control would obviously be futile. Moreover, it would have the result of giving tacit approval to a form of trade restriction, the elimination of which is an important part of the foreign policy of the United States.

Respectfully yours,

CLAUDE G. BOWERS

611.2531/4-3045

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

No. 5160

WASHINGTON, September 28, 1945.

SIR: Reference is made to the Embassy's despatch no. 12040 of April 30, 1945⁸ transmitting the text of the counter-proposals of the Chilean Government for a trade agreement with the United States and to the Department's instruction no. 4934 of May 25, 1945 in which some preliminary observations regarding the Chilean proposals were set forth.

The interdepartmental trade-agreements organization has now studied the counter-proposals and finds that their main features are so unacceptable to this Government that there would not be, as the proposals now stand, any satisfactory basis for negotiations. In the circumstances, the Embassy is requested to present to the Chilean Government the substance of the enclosed draft memorandum⁸ which

⁸ Not printed.

analyzes the major differences between the positions of the two Governments.

It is regretted that, after previous unsuccessful efforts, these latest proposals by the Chilean Government are unacceptable. The Department still desires that an agreement be concluded with Chile and sincerely hopes (particularly so in view of the Embassy's comments in its telegram no. 1090 of August 25 and despatch no. 12599 of August 10⁹ regarding the desirability of negotiating an agreement) that the Chilean Government may find it possible to submit at an early date new proposals that would be acceptable as a basis for negotiations.

The Department of course is aware that, from the Chilean standpoint, a trade agreement would hold very little attraction unless some concession on copper could be obtained. For the Embassy's own information, urgent attention is now being given to obtaining a decision as to what may be said to President Ríos, in response to inquiries he is expected to make during his forthcoming visit to the United States, regarding the inclusion of copper in a trade agreement with Chile, assuming an otherwise mutually satisfactory basis for negotiations can be found. The Chilean proposals regarding copper as set forth in Article V and Schedule III of the Chilean draft (as well as those regarding nitrates), are quite unacceptable and cannot be considered as constituting satisfactory bases for negotiation.

The Department takes this occasion to express appreciation for the close attention given by the Embassy to this matter, as well as for the Embassy's commendable work in connection with the recently concluded provisional commercial agreement with Chile.

Any views or suggestions that the Embassy may wish to offer regarding the proposed trade agreement would be welcomed by the Department.

Very truly yours,

For the Acting Secretary of State:
W. L. THORP

611.2531/12-1245

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

No. 13193

SANTIAGO, December 12, 1945.

[Received December 26.]

SIR: I have the honor to transmit herewith the Spanish text and an unofficial translation of the Chilean reply ¹⁰ to the Department's Memorandum concerning the pending trade agreement between the United States and Chile, which Memorandum was forwarded with

⁹ Neither printed.

the Department's instruction No. 5160 of September 28, 1945. The chief points covered in the Chilean reply which is dated December 10, 1945, were telegraphed to the Department today as Embassy's 1544 of December 12.¹⁰

Since the Chilean reply memorandum is self-explanatory and the gist thereof has been telegraphed to the Department, no further detailed comment seems necessary from this end until an opportunity is had to discuss some of the more important points again with the Chilean Foreign Office. As mentioned in Embassy's telegram No. 1544, a possible source of difficulty could arise with respect to the point made by the Chilean Foreign Office to the effect that the list of United States products for which concessions are to be sought should be drawn up with a view to benefiting Chilean economy and without causing any considerable decrease in Chilean customs revenues. However, the insertion of the words, "en lo posible" (as far as possible) may be considered as rendering this proposed condition fairly innocuous. Otherwise it might be necessary for the United States to select its own list of products from the standpoint of conformity to the Chilean exchange control system rather than from that of principal products in United States trade with Chile. The Embassy will endeavor to discuss this and other pertinent points with the Foreign Office at the earliest opportunity, and will inform the Department of any further developments in this connection. Obviously the past record of Chile with respect to the manipulation of its exchange control system to protect domestic industries does not inspire confidence, but it is hoped a satisfactory understanding can be reached even on this phase of our commercial relations with Chile.

So far as the Embassy can perceive at this time, the Chilean reply appears to be highly satisfactory. There is undoubtedly a sincere desire on the part of the Chilean authorities to conclude a trade agreement with the United States as soon as possible. The Foreign Office has stated to Embassy representatives that a trade agreement of some kind is regarded as of such great importance here that the United States point of view has been accepted in every case, and that it is hoped that the agreement can be signed within a few weeks at the latest. The Foreign Office has been warned against undue optimism on this point, however, in view of the procedure prescribed in our Trade Agreement Act. In the case of the proposed immediate reduction of customs duties on automotive equipment, the Department will observe that the Foreign Office offers to expedite such reductions if it seems likely that the present negotiations are likely to continue

¹⁰ Not printed.

for a period of from two to three months. In such case, however, a formal provisional agreement would be necessary, the Foreign Office points out, in order to permit such reductions to be made under existing Chilean legislation. The Embassy would appreciate receiving urgently the Department's telegraphic instructions on this particular point, together with any other observations that may be deemed pertinent, in order that actual negotiations on the details of the proposed agreement may be expedited in accordance with the desire of the Chilean Foreign Office.

Respectfully yours,

CLAUDE G. BOWERS

611.2531/12-1445 : Telegram

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

SANTIAGO, December 14, 1945—5 p. m.

[Received 6:15 p. m.]

1552. Mytel 1544, Dec. 12.¹¹ Under Secretary Aliaga assured Dunn today that Chilean exchange control system would not be permitted to undermine trade agreement. Aliaga said any other course would be bad faith on their part.

BOWERS

611.2531/12-1245 : Telegram

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

WASHINGTON, December 19, 1945—7 p. m.

954. 1) Embtel 1544 Dec 12¹¹ and 1552 Dec 14. Dept is pleased to observe that Chilean Govt is actively engaged in revising drafts of Schedules I and II of proposed trade agreement and is prepared to meet views of this Govt concerning a number of general provisions which have hitherto been a matter of extended discussion.

2) However, even if revised schedules disclose a large measure of mutual agreement, they will, nevertheless, require detailed study by this Govt. Public announcement of intention to negotiate must be made in view of long lapse of time since first announcement was made, and hearings must again be held. The minimum period between announcement and hearings would be one month, and hearings might occupy a week. Only after that could formal negotiations be started.

¹¹ Not printed.

Accordingly, it is believed that even under extremely favorable conditions, no trade agreement could be signed in less than 4 or 5 months, with an additional period of 30 days until new rates of duty and other provisions became actually effective.

3) You are requested to convey substance of foregoing to FonOff and, in view of circumstances mentioned, to lend your good offices to petition pending for reductions in duty on vehicular items in conformity with Deptel 914 Nov 30.¹²

ACHESON

UNITED STATES INTEREST IN PETROLEUM SUPPLIES FOR CHILE

[For previous documentation on this subject, see *Foreign Relations*, 1944, volume VII, pages 738-752, *passim*. Documentation on problems of shipment and rationing of petroleum supplies for Chile during 1945 is in file 823.6363.]

¹² Not printed.

COLOMBIA

DISCUSSIONS BETWEEN THE UNITED STATES AND COLOMBIA CONCERNING DEFENSE QUESTIONS¹

711.21/1-345: Telegram

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

WASHINGTON, January 9, 1945—2 p. m.

26. Your telegrams no. 4 of January 2 and no. 10 of January 3.² It is not felt that either President López or Colombia has any just grounds for complaint. This Government has cooperated most fully with Colombia and two or three isolated issues cannot be taken as typical, particularly when we feel that we are on sound ground even in those instances.

The President's statements concerning the coffee price problem³ and the increase in coffee quotas strike the Department as confusing and in a sense contradictory. A separate communication will be sent to you on coffee.

Lend-lease equipment was supplied to promote hemisphere defense from aggression and the trend is now downward. No equipment has been or is being supplied for the local military or political convenience of any republic, and Colombia should not expect lend-lease equipment to strengthen its political position vis-à-vis her neighbors.

With respect to rifles for the national police for the maintenance of order within Colombia, we are prepared (if you strongly recommend it) to go again to the military authorities in an effort to obtain such equipment as is needed and can be spared from war uses. However, the Department would not be prepared to engage in a "cover-up" shipment to the national police with the understanding that the facts would be kept from the Colombian Army. Any shipment which we make for the police would have to be on an open and above-board basis to the "Government of Colombia" on a cash or cash reimbursable basis. You will, of course, not wish to make any commitment until

¹ Continued from *Foreign Relations*, 1944, vol. VII, pp. 803-824.

² Neither printed; in these telegrams the Ambassador reported that the President and Foreign Minister complained of the injury to Colombia caused by United States discrimination with respect to lend-lease and the increased coffee quota (711.211/1-245, 1-345).

³ For documentation on the coffee problem, see pp. 34 ff.

the Department has been able to clear the matter with the War Department and so inform you.

STETTINIUS

711.21/1-1745: Telegram

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

Bogotá, January 17, 1945—4 p. m.

[Received January 18—12: 19 a. m.]

88. Your 48, January 13, 5 p. m.⁴ and with further reference to your 26, January 9, 2 p. m. President López complaints had to do with what he considers to be the three basic problems of his administration:

1, the economic stability of Colombia, 2, the defense of Colombia against aggression; and 3, internal order.

1: Economic stability he thinks hinges on inflation. He has had to abandon certain anti-inflationary measures. Many other anti-inflationary measures might not be feasible in a country such as Colombia. His fear is that a substantially increased influx of dollars would now give a really dangerous impetus to the existing and pronounced inflationary trend. Of course, if merchandise desired by Colombia could be purchased in the United States to a degree offsetting such an influx of dollars, López would, I think, be more than satisfied. Colombian inventories have been considerably depleted over the last four years and there is a particularly acute need of agricultural equipment.

A United Press despatch states that Assistant Secretary Clayton plans to visit Mexico City. If he could continue on to Bogotá it would be really helpful.

2: On the subject of President López . . . and his concern over the alleged utter inadequacy of the Colombian army to defend the country, would it not be a good idea to try to get Admiral William H. Standley and Major General John P. Smith to make a discreet survey of lend-lease to Colombia and Peru and to report their findings to you and the President. Both these officers are in Washington (OSS)⁵ and Admiral Standley, I am sure, would be available to visit South America.

I was interested by despatch 2195 of December 18, 1944⁶ from the Embassy at Lima. There is definitely a situation, at least in the

⁴ *Post*, p. 871.

⁵ Office of Strategic Services.

⁶ Not printed.

Colombian mind, and if it cannot be met by increasing lend-lease to Colombia or decreasing lend-lease to Peru, perhaps there should be a political solution.

3. I think it would be timely if I could indicate to President López our readiness to sell rifles or other equipment to the Colombian Government now, before the forthcoming meeting of Foreign Ministers.

WILEY

821.24/1-2445

*Memorandum by Mr. Bainbridge C. Davis of the Division of North and West Coast Affairs*⁸

[WASHINGTON,] January 24, 1945.

You will recall that Ambassador Wiley has presented two problems to the Department with respect to the shipment of armaments to Colombia. He has referred, in the first place, to the Colombian claim that Peru has received larger amounts of Lend Lease equipment from the United States, and to Colombian fear of Peruvian aggression; and in the second place, to President López' desire to receive equipment for the national police for the maintenance of internal order. The two subjects can best be considered separately.

1. *Lend Lease for the Colombian Army.*

In telegram no. 26 of January 9 to Bogotá we pointed out that Lend Lease equipment was supplied for the defense of the hemisphere and not to strengthen the position of one American Republic against another. In telegram no. 88 of January 17 Ambassador Wiley asks whether it would not be a good idea to try to get Admiral Standley and Major General Smith to make a discreet survey of Lend Lease shipments to Colombia and Peru. I am not sure that the Army or Navy would consent to having these officers conduct such a survey or that Admiral Standley or General Smith would be willing to attempt it without specific approval. Even if this were feasible I doubt that it would produce worthwhile results. Despite the fact that the Department still has inadequate information regarding Lend Lease allocation and shipments, all available statistics indicate clearly that, in general, Peru has received a greater amount of Lend Lease equipment than has Colombia.

We have already made clear to Ambassador Wiley the basis on which Lend Lease has been allocated and our decision not to use

⁸ Addressed to the Chief of the Division of North and West Coast Affairs (Wright), and to Warren S. Lockwood and Avra Warren of the Office of American Republic Affairs.

Lend Lease to create military equality between any of the American Republics. Since Ambassador Wiley suggests either decreasing Lend Lease shipments to Peru or some "political solution" as alternatives to increasing Lend Lease to Colombia, I suggest that we point out to him that the considerations set forth with respect to allocation of Lend Lease to Colombia have been applied and will continue to be applied to Peru, and that we ask him to indicate what political solution he has in mind.

2. Equipment for National Police.

In telegram no. 26 of January 9 to Bogotá, we explained to Ambassador Wiley that we would be prepared to make a further effort to obtain from the military authorities such equipment as might be needed by the Colombian national police for the maintenance of domestic order, and which could be spared from our military requirements, provided that Ambassador Wiley should strongly recommend such action. It was made clear that any such shipment would be made in an open and above board manner to the Government of Colombia on a cash or cash reimbursable basis. In telegram no. 88 of January 17 Ambassador Wiley has replied that it would be timely if he could indicate to President López, prior to the forthcoming meeting of Foreign Ministers, our readiness to provide rifles or other equipment. I assume that Ambassador Wiley intends to have us consider this as his strong recommendation that the matter be reopened with the War Department since he has already been informed that no favorable action may be expected unless the Secretary of War receives a letter from the Secretary of State certifying "that this transfer is considered necessary due to the highest political and diplomatic considerations". Ambassador Wiley does not indicate that he has discussed further with President López the question of an open and above board shipment for the benefit of the police. If you feel that the Ambassador's recommendation is sufficiently clear, and that we should now reopen the matter with Colonel Edwards,⁹ we must be prepared to back up our request with the strong letter from the Secretary of State which we know will be required.

In view of the United States Army's desire to "standardize" the equipment of the other American Republics, Colonel Edwards might be influenced by Bogotá's telegram no. 89 of January 17¹⁰ transmitting a report that a Colombian military mission will be sent to Mexico to investigate the possibility of purchasing rifles, machine guns and am-

⁹ Col. Parmer W. Edwards, Operations Division, War Department General Staff.

¹⁰ Not printed.

munition for the Army. However, it is unlikely that the War Department would consider this pertinent to a request for arms for the national police.

Colonel Edwards, after careful re-study of the Colombian request for 5,000 carbines, indicated in a November 13 memorandum¹¹ that upon receipt of the Department's aforementioned strong support, it probably would be possible to grant 400 riot guns, 300 sub-machine guns, 300 to 400 revolvers, and ammunition, but not even then would it be possible to supply any of the 5,000 carbines actually requested by the Colombian Government. It is conceivable, though quite doubtful, that our determined support (both orally and in a letter from the Secretary) of Ambassador Wiley's request may somewhat improve the November 13 offer.

If you feel that our strong support of the request is justified, I shall be glad to arrange a meeting with Colonel Edwards and to draft the necessary letter for the Secretary's signature.

810.20 Defense/3-245 : Telegram

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

BOGOTÁ, March 2, 1945—2 p. m.

[Received 5 : 25 p. m.]

315. Your 242, March 1, 8 p. m.¹¹ May I again submit for consideration the possible desirability of having the conversations with Colombia and Peru initiated simultaneously so that there might be telegraphic consultation between the two groups on interrelated matters which might influence the course of their conversations? If not too difficult to change the Peru date it might be well to do this since it would also eliminate a possible danger of ruffling delicate sensibilities here.

WILEY

810.20 Defense/3-245 : Telegram

The Acting Secretary of State to the Ambassador in Colombia (Wiley)

WASHINGTON, March 3, 1945—10 p. m.

257. The suggested changes in arrangements for staff conversations with Colombia and Perú contained in your 315, March 2, are unfor-

¹¹ Not printed.

tunately not practicable. General Brett¹² is anxious to open all staff conversations himself, leaving a group of officers to carry out the technical conversations after the first 2 or 3 days. This precludes simultaneous conversations in Perú and Colombia. Moreover, the exploratory nature of the conversations makes telegraphic consultation between groups in different countries unnecessary, while the system of separate teams has been devised partly in order to avoid the feeling in any country that U.S. officers were taking military information from one country to a neighboring republic. Finally, several countries have now accepted the dates suggested by this Government in accordance with a carefully-worked out schedule, so that any significant change would involve rearrangement of the schedule and dates already agreed upon.

It is not believed that there are any grounds for Colombian sensibilities being ruffled by present arrangements once the Colombians know that conversations are definitely scheduled.

GREW

810.20 Defense/3-845: Telegram

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

BOGOTÁ, March 8, 1945—8 p. m.

[Received March 9—2:03 a. m.]

347. I have the impression that the Colombian General Staff is somewhat unhappy in that it has no specific information on the exact nature of the conversations which are to be initiated April 2 and feels that it is at a disadvantage in preparing itself for these conversations, particularly since even very minor military questions have to be cleared through President López. This applies to both the Army and the Navy.

Since conversations have already taken place in Chile it should be feasible and desirable to release immediately to the Colombians a list of the questions which the American group would like to take up. What does the Department desire me to say if the matter is officially taken up with me, which seems probable.

WILEY

¹² Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

810.20 Defense/3-845 : Telegram

*The Acting Secretary of State to the Ambassador in Colombia
(Wiley)*

WASHINGTON, March 10, 1945—7 p. m.

280. ReEmbs. 347, March 8, 8 p. m.; 349, March 8, 10 p. m.¹⁴ General Brett is being asked to expedite delivery to you of copies of the program for staff conversations. In your discretion, if it appears necessary, you may communicate informally to Colombian authorities before receipt of program following main topics which will be included.

a. Reexamination of existing military arrangements and establishment on a permanent basis of military relations of the United States and Colombia.

b. For the ground, air, and naval forces of Colombia:

1. Consideration of the mission of each branch and the approximate size and composition of the forces desired.

2. Possibility of training Colombian armed forces on United States principles, including extension of training facilities in United States and use by Colombia of United States military, naval and air missions.

For further detail regarding the background of these conversations please refer to Department's secret circular instruction of August 1, 1944¹⁵ and January 10, 1945¹⁷ (File Nos. 810.20 Defense) and Basic Instructions Regarding Staff Conversations transmitted informally to the officer in charge October, 1944.¹⁶

GREW

810.20 Defense/3-2045 : Telegram

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

BOGOTÁ, March 20, 1945—6 p. m.

[Received March 21—12:05 a. m.]

428. My 415, March 17, 2 p. m.¹⁷ on the subject of the proposed staff conversations the Foreign Minister today expressed to me a great desire that these not be initiated until after his return from San Francisco.¹⁸ . . . The Foreign Minister went on to say that unofficially he

¹⁴ Latter not printed.

¹⁵ *Foreign Relations*, 1944, vol. VII, p. 105.

¹⁶ *Ibid.*, p. 106.

¹⁷ Not printed.

¹⁸ Foreign Minister Alberto Lleras Camargo attended the meeting of the United Nations Conference on International Organization, held at San Francisco, April 25—June 26, 1945.

intended to direct the course of the conversations from the Colombian side, that he was now beginning the sort of studies he desired to have made here and that he was most anxious to be on hand when the conversations began. He also said that the results at San Francisco obviously would have great bearing on what kind of a military organization Colombia might require in the future. He made it evident that he hoped that there might be a substantial reduction in the Colombian military budget. In view of the Foreign Minister's remarks and the current political effervescence in the Army, I think it would be well to act favorably on the request of the Foreign Office for a relatively short postponement.¹⁹

WILEY

810.20 Defense/9-445 : Telegram

The Acting Secretary of State to the Ambassador in Columbia (Wiley)

WASHINGTON, September 7, 1945—3 p. m.

871. Your 1160, Sept 4.²⁰ Dept wishes to emphasize that conversations will be purely exploratory dealing only with technical military matters and involving no political or military commitments. It is unlikely that any approach to Presidential level will be necessary.

After formal opening sessions conversations will break down into ground, air, and naval committees for exchange of information and will be conducted by officers on a technical level. In view of these facts Dept considers it most advisable for actual conversations to be in hands of lower-ranking officers in dealings with Colombian officers of similar rank. General Brett, in opening conversations in other countries, stayed only for formalities. It is appropriate that this procedure be followed in Colombia.

As Senior Diplomatic representative of United States in Colombia, you will be in position to guide conversations from policy viewpoint and to consider and handle any political questions which may arise. Any approach to President that might be necessary would of course be through you.

ACHESON

¹⁹ In telegram 332, March 21, 1945, 6 p. m., the Acting Secretary of State acquiesced in the request (810.20 Defense/3-2045).

²⁰ Not printed; in this telegram the Ambassador expressed the view that the American naval and military representatives should be of a rank sufficient to have access to presidential level (810.20 Defense/9-445).

S10.20 Defense/9-1945

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

[Extracts]

No. 989

Bogotá, September 19, 1945.

[Received October 4.]

SIR: . . .

Despite some insignificant changes in the program which resulted from the fact that the beginning of these conversations coincided almost to the day with an overall shift in the Cabinet which included the bringing into the Ministry of War a new minister, it is notable that the conversations began and were carried on through to the final day in an atmosphere that was characterized at all times by a feeling of mutual cooperation by both parties to the conversations; indeed, the entire atmosphere was one of complete cordiality and the Colombians at all times, without exception, were willing to do everything within their power to cooperate along the lines of the suggestions previously made when plans for the conversations were being drawn up.

It is felt that the presence, initially, of high United States Army and Navy officials did much to assure the success of the conversations. It was, therefore, regrettable that Admiral Beardall and General Homer, because of the pressure of their duties in the Canal Zone, had to leave Bogotá so soon after their arrival; especially was this so because the Colombian General Staff had planned official receptions and other types of social functions in honor of these officials during the evenings of the latter part of the week. Nevertheless, I do not wish to imply that the absence of these officials in any way hindered the technical success of the conversations.

It will be remembered that prior to the actual inauguration of these conversations, the United States commission had prepared a formal list of questions, the answers to which had been requested from the Colombian authorities as a basis for the final study, before approval by the respective staffs. It is my pleasure to report that the Colombians, who apparently had been working night and day on these questions, were able within a period of two days to complete the entire list for the Americans. All of this involved a gigantic amount of work, the completion of which in an extraordinarily able and efficient manner, is patent proof of the desire of the Colombians to cooperate in every phase of the undertaking. The Colombians gave specific data on the present standing of their forces frankly and, apparently, with-

out trying to obscure any facts whatsoever, whether favorable or unfavorable.

The United States Commission presented four or five different plans for the organization of the Colombian armed forces, which the Colombians appreciated very much. It so happens that they themselves had also formulated a plan which upon further study was found to coincide almost exactly with the ideas expressed by Col. DeVos for which the latter very quickly complimented the Colombians for having completed. It was felt that since this matter worked out as it did, the matter of organization for the Colombian forces would be very much more easy to work out than had been anticipated.

Respectfully yours,

JOHN C. WILEY

821.30 Missions/11-1345 : Telegram

The Vice Consul at Cartagena (Randolph) to the Secretary of State

CARTAGENA, November 13, 1945—10 p. m.

[Received November 14—12:47 p. m.]

38. From Wiley. Before leaving Bogota, Tamayo, Minister of War, renewed his request for an American naval mission I suggested to him that existing Colombian legislation governing naval matters might make it difficult for an American naval mission to function efficiently. He replied that Colombian Government had authority to modify this legislation by decree and that this question would present no difficulties. We have had no opportunity as yet to confirm this but Naval Attaché will report further on this subject. Today President Lleras²¹ again raised the question of naval mission with me I replied that I was personally much in favor of the proposal but that some of our Navy people here were apprehensive that an American naval mission with authority to direct and administer the Colombian Navy would create friction with Colombian naval personnel. President Lleras assured me that if the American naval mission was selected well it would encounter no difficulties If Navy Department should consider favorably this request for an executive naval mission I suggest that most prompt action be taken in order to derive fullest benefit from President's remaining 9 months in office since his collaboration would be invaluable. I think any contract for executive naval mission should be for a period of not less than 4 years. Finally, I suggest that Captain Harold B. Grow, now in the Pacific, if pro-

²¹ Alberto Lleras Camargo assumed the office of President August 7, 1945.

moted to Rear Admiral, would be ideal to head such a mission. His knowledge of Spanish, his ability to get on with Latin Americans, his organizational ability and experience would fit in admirably for the position. [Wiley.]

RANDOLPH

821.30 Missions/11-1945 : Telegram

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

WASHINGTON, November 20, 1945—5 p. m.

1061. From Wiley.²² I am informed President Lleras authorized Santamaria²³ to continue present agreement temporarily in order to afford time to negotiate contracts for new missions.

Your 1387 Nov 19, 11 a. m.²⁵ Am surprised that Tamayo still requests that Army officer be Chief of Mission for both Army and Navy. You may recall at our last meeting I carefully explained to him that subject was highly controversial and that under present American legislation and procedure I feared that for some time to come such a request could not receive favorable action. Could you clarify this with Tamayo and have Military Attaché discuss subject with General Solano.²⁴ [Wiley.]

BYRNES

821.30 Missions/11-2145 : Telegram

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

BOGORÁ, November 21, 1945—5 p. m.

[Received 9:15 p. m.]

1399. For Ambassador Wiley. In conversation with Minister Tamayo today I told him there seems to be some difference in ideas concerning continuation of present naval mission and the form which a new military mission should take. He reiterated his ideas as expressed in Embassy's telegram 1387, Nov 19²⁵ but said that since some different opinions had been expressed he would immediately confer with President Lleras and inform me definitely of his views. After his conversation with President Lleras he telephoned and said that President is willing to continue present naval agreement until new mission is decided upon, provided present personnel of mission is

²² Ambassador Wiley was temporarily in the United States.

²³ Carlos Sanz de Santamaria, Colombian Ambassador in the United States.

²⁴ Gen. José D. Solano, Colombian Chief of Staff.

²⁵ Not printed.

changed. I inquired if he meant only Capt Ashley²⁶ and he replied all personnel of mission should be changed. However Tamayo stated that the request for change should not imply any criticism of Capt Ashley. Relative to form of new mission Tamayo said that President prefers a single chief with three branches of services under him; however, if this is impossible under our setup he will consider three separate missions. After receiving foregoing information Tamayo phoned again to say that President Lleras had just talked to Ambassador Santamaria and as the latter informed the President that it would be impossible to obtain a unified mission under a single chief the President had decided to accept the idea of three separate missions.

LOCKETT

821.248/11-2345

Memorandum by Mr. Bainbridge C. Davis of the Division of North and West Coast Affairs ²⁷

[WASHINGTON,] November 26, 1945.

The attached copy of a memorandum of conversation²⁸ in Mr. Braden's office on November 23 would seem to illustrate the importance of making clear at once that the State Department does and must have authority over the disposal of armaments to other countries.

(1) It would appear from Ambassador Santamaria's comments that it may not have been made sufficiently clear to the Colombian Government by our army representatives that the staff conversations do not comprise "agreements" but were strictly exploratory and not binding.

(2) When General Walsh²⁹ gave Ambassador Santamaria and me on October 25 the impression that PBY's could be obtained from the Navy and subsequently when Mr. Hamilton³⁰ assured Señor Vargas³¹ and me that PBY's would be available almost immediately, no intimation was given that the State Department must reach a policy decision with respect to the exportation of these demilitarized patrol bombers.

(3) Likewise it appears that prior to the November 23 meeting General Walsh had encouraged the Colombian Ambassador's interest

²⁶ Capt. John Ashley, head of the naval mission.

²⁷ Addressed to the Chief of the Division of North and West Coast Affairs (Flack), the Chief of the Division of River Plate Affairs (Butler), the Director of the Office of American Republic Affairs (Briggs), and the Assistant Secretary of State (Braden).

²⁸ Not printed.

²⁹ Maj. Gen. R. L. Walsh, Army Air Force.

³⁰ Of the Office of the Army-Navy Liquidation Commission.

³¹ Alberto Vargas Nariño, Colombian Chargé in Washington.

in Army C-47's, to be obtained in accordance with staff conversation procedure at a time when the State Department had not yet approved the War Department proposals to implement these staff conversations.

In this connection, it might be mentioned that during a recent conversation with two officers of the Venezuelan General Staff it became clear that they had gained the impression from our War Department that there would be no difficulty in securing the armament which they desired. It apparently had not been suggested to them that the consent of the State Department must be secured.

While none of the foregoing incidents are perhaps of a serious nature, they tend to place the State Department in a difficult position when other agencies of this Government attempt to decide matters of State Department policy and when foreign governments are not properly informed of the State Department's jurisdiction in such matters.

821.30 Missions/11-2645 : Telegram

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

WASHINGTON, November 26, 1945—8 p. m.

1074. From Wiley for Naval Attaché. Saw SecNav ³² yesterday. He is initiating action regarding executive naval mission, naval bases Cartagena and Malaga, two PBY's for Colombia and new plane for Naval Attaché. [Wiley.]

BYRNES

821.24/12-1145

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

No. 569

WASHINGTON, December 11, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Colombian Embassy in Washington, together with a copy of statement LL-6,³³ showing charges made against the Government of Colombia during the period from June 1, 1945, through August 31, 1945, for defense matériel transferred under the terms of the Lend-Lease Agreement signed on March 17, 1942.

It will be noted that charges during the period under reference are counterbalanced by credits to a net figure of \$679.76 credit to Colombia, and that charges through August 31, 1945, for all defense matériel

³² Secretary of the Navy, James Forrestal.

³³ Neither printed.

transferred to the Government of Colombia aggregate the grand total of \$6,566,951.52. The reimbursement now due is \$518,000.³⁴

This Government will continue to maintain the policy of requesting reimbursement payments in accordance with the terms stipulated in the Lend-Lease Agreements with the various American Republics.

Very truly yours,

For the Secretary of State:
SPRUILLE BRADEN

810.20 Defense/12-1845 : Telegram

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

BOGOTÁ, December 18, 1945—11 a. m.

[Received 2 : 35 p. m.]

1480. President Lleras has asked me very pointedly when we intend to put the "exploratory staff conversations" recently held between representatives of the US and Colombian armies into definite form. I replied evasively. I think it is now time for the Army to implement these conversations or get off the garble.

WILEY

821.30 Missions/12-1845 : Telegram

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

BOGOTÁ, December 18, 1945—2 p. m.

[Received 5 : 48 p. m.]

1483. President Lleras asked me about the status of proposed new American executive naval mission for Colombia. I replied that I understood that Navy was entirely disposed to send a new naval mission under standard form of contract and that Colombian Govt could work out functions of mission by agreement with Chief of Naval Mission. I added that I was apprehensive that Colombian law would not permit Colombian Govt to employ mission for purposes other than instruction. . . . I suggested to President that of course success of mission would depend largely on choice of its chief. The other day in New York I saw Captain Roscoe H. Hillenkoetter, Capt of the *Missouri*, an outstanding Naval officer who speaks Spanish and who has had a long diplomatic background. I asked Capt Hillenkoetter if he would accept the position as Chief of the Mission should it be offered to him. I was very gratified that Capt Hillenkoetter had replied in

³⁴ In two notes of February 2, and July 2, 1945, addressed to the Colombian Chargé, the Department acknowledged the receipt of \$1,922,000 and \$478,000 on the lend-lease account (821.24/1-1545 and 6-2745).

the affirmative. If the President approved I would suggest the Capt's name to my Govt. President Lleras replied that he thought choice of the Capt would be admirable. I would be glad if this could be brought to attention of Navy Dept.

The President also inquired with regard to status of establishing naval bases at Cartagena and Malaga Bay. I replied that I had taken matter up with Secretary Forrestal,³⁵ Admiral Edwards³⁶ and others and that although such bases would have only a low strategic priority matter had been received with interest and would I was sure receive sympathetic consideration. I told the President that the term naval base was very elastic and asked him what he had in mind. He replied that he was thinking only of something of very modest dimensions.

Gen Piedrahita told me this a. m. that it had already been decided to abandon the base at Buenaventura.

It might be well to suggest to Navy that a couple of well selected high ranking officers be sent to Colombia in order to discuss at least in an exploratory manner the matter of bases with the President and other competent Colombian officials.

WILEY

**EFFORTS OF THE UNITED STATES AND COLOMBIA TO CONTROL
FINANCIAL TRANSACTIONS INVOLVING THE AXIS³⁷**

740.21112A/1-2245

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

[Extracts]

No. 160

BOGOTÁ, January 22, 1945.

[Received January 30.]

SIR: I have the honor to report that at the meeting of the Colombian Consultative Commission held on January 11, 1945 . . .

Advantage was taken of the opportunity to inquire of the Commission what progress had been made in the Colombian expropriation program. Dr. Gómez Naranjo³⁸ stated that the Empresa Hanseatica had been sold to satisfactory Colombian purchasers, and that pay-

³⁵ Secretary of the Navy, James Forrestal.

³⁶ Vice Adm. Richard S. Edwards, Deputy Commander in Chief, United States Fleet.

³⁷ Continued from *Foreign Relations*, 1944, vol. VII, pp. 832-850.

³⁸ Legal Adviser to the Stabilization Fund, Banco de la República.

ment had been deposited into the Stabilization Fund. The Stabilization Fund has also purchased all the Anilinas Alemanas shares in Industria Química Colombiana (Inquico) (PL),³⁹ leaving the latter firm free of any enemy interests. Ganadería "La Esmeralda" (PL) has been purchased by a group of satisfactory businessmen. (See despatch no. 57 of December 29, 1944⁴⁰ recommending this firm's deletion from the Proclaimed List.)

It was pointed out to the members of the Commission that it seemed extremely unlikely that the important German drug and chemical firms such as Química Bayer and Química Schering and Instituto Behring would be willing to sell their businesses. Therefore, the only remaining manner of removing these firms would be by direct expropriation by the Colombian Government. Dr. Gómez Naranjo agreed with this and stated that both the Department of Control of Property of Foreigners and the Stabilization Fund had done all in their power to bring about these expropriations. All the necessary documents were before the Attorney General for his signature; however, for unknown reasons the program had bogged down in that office. Dr. Escallón, the Attorney General, will be out of Bogotá until the end of January. Dr. Gómez Naranjo stated that he would go to Dr. Escallón's office on January 12 to see what can be done to expedite this program. On the other hand, he believed that perhaps it would be necessary to await the return to Bogotá of Dr. Escallón. However, for the time being, no progress can be reported on the expropriation program with the exception of the voluntary sales reported above.

The matter of the expropriation was gone into at great length in view of Mr. Macdonald's⁴¹ recent trip to Washington and London. Upon inquiry, Mr. Macdonald stated that both Washington and London were somewhat dissatisfied with the progress being made in this direction, and that deletions in any sizeable numbers cannot be made because of the failure to eliminate German spearhead firms in Colombia.

Respectfully yours,

For the Ambassador:
W. E. DUNN
*Counselor of Embassy for
Economic Affairs*

³⁹ Proclaimed List.

⁴⁰ Not printed.

⁴¹ R. A. Macdonald, British Commercial Secretary in Colombia.

740.21112A/1-2745

*Memorandum Prepared in the Department for the Ambassador in Colombia (Wiley)*⁴²

[Extracts]

The paramount purpose of the Proclaimed List program at present is to bring about the prompt elimination of Axis spearhead firms through the application of local controls. In countries where these controls have proved adequate the decrees generally provide for liquidation, forced sale or expropriation of Axis enterprises. In Colombia decrees were issued within two months of Pearl Harbor placing the property of Axis nationals under fiduciary administration. The funds-freezing feature of this regime proved an effective contribution to the economic warfare effort, but not many months had passed before it became apparent that fiduciary administration was in most respects a benevolent control system which, as a Colombian official remarked, was designed to preserve Axis assets rather than to eliminate Axis influence in the Colombian economy. The Colombian Government took the position that it was permissible to deal with a Proclaimed List firm if it was under fiduciary administration, on the theory that such dealings were with the Colombian Government. The Embassy has opposed this reasoning as nullifying the effectiveness of the Proclaimed List.

Colombia presently ranks fourth among the American Republics in the number of names in the Proclaimed List, being preceded by Argentina, Chile and Peru. The disparity between the few countries like Colombia and those with effectively implemented controls will become more and more noticeable as mass deletions take place in the latter countries. The Interdepartmental Committee has for some time felt that the Proclaimed List for Colombia is unduly large, but would be reluctant to approve mass deletions for the reason that the Colombian Government might interpret such action as satisfaction with the progress being made in the elimination of Axis spearheads. No mass deletions for Colombia should therefore be contemplated before more progress has been made in the elimination of Axis spearheads unless the Embassy can place such deletions in their proper perspective before the Colombian authorities and can obtain from those authorities some assurance that they will expropriate all Axis spearheads within a reasonable time after the Congress has ratified the expropriation decree (no. 1723 of July 25, 1944).

⁴² Copy transmitted to Bogotá in instruction 34, January 27, 1945, not printed.

740.21112RP/3-2345

Memorandum by Mr. Rollin S. Atwood of the Division of North and West Coast Affairs to Mr. John C. McClintock, Special Assistant to the Assistant Secretary of State

[WASHINGTON,] March 23, 1945.

The replacement (liquidation) of spearhead firms in Colombia has apparently reached a stalemate. All necessary legislation to liquidate has been passed by the Colombian government. Four unimportant firms have been liquidated. Decrees have been issued, although pigeonholed, to liquidate six additional firms. Eleven more, including the important firms, remain under fiduciary administration which is not considered by this government as a satisfactory control.

The deletion of Proclaimed List persons and firms is being delayed pending action on the part of the Colombian government with regard to the liquidation of the spearhead firms. It is the general opinion that the Colombian government, even if urged, is not apt to take any immediate drastic action due to unsettled political conditions.

Alternatives:

1. Reduce the Proclaimed List to an absolute minimum (spearhead firms and those closely related to them) regardless of whether the Colombian government takes action on spearhead firms. Then hold the list unchanged until the Colombian government takes action or until all lists are abolished (probably within one year).

2. Delete the names of persons and firms of lesser importance, particularly when sanctions are but slightly effective thereby decreasing the prestige of the List, and hold the remainder on the List until action is taken or all Lists are abolished.

3. Keep the List at its present disproportionate size until the Colombian government takes effective action with regard to spearhead firms.

Recommendation:

1. NWC ⁴³ feels that the second alternative is most feasible.

⁴³ Division of North and West Coast Affairs.

740.21112 RP/4-2545 : Telegram

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

BOGOTÁ, April 25, 1945—3 p. m.

[Received 7:18 p. m.]

607. Some time prior to departure of Foreign Minister ⁴⁴ for San Francisco ⁴⁵ I spoke to him concerning slow progress here in expropriation of 5 spearhead German concerns against which expropriation resolutions had been issued and complete lack of action against some 14 others. Lleras told me that he was uninformed but would examine the matter. Subsequently British Ambassador ⁴⁶ made similar approach to Lleras. Foreign Minister told him that the five resolutions had been issued under the authority of the emergency legislation which lapsed after the last session of the Colombian Congress and that it was dubious whether they had the authority now to proceed with the expropriation. He did not refer to the state of belligerency legislation which would seem more than ample for any action of this nature. I strongly suspect that there is a basic reluctance on the part of the López administration to proceed with the expropriation program. In fact, President López once frankly remarked to me that they liked many of the Germans here. They had been good citizens, had worked hard, and had intermarried into many Colombian families. In view of the present stalemate, I venture to suggest that the Department discuss this situation with Chargé d' Affaires Vargas and endeavor to impress on him the necessity for a prompt and constructive anti-Axis program here. This problem might also be broached with the Colombian delegation at San Francisco.

WILEY

740.21112 RP/4-2545 : Telegram

The Acting Secretary of State to the Ambassador in Colombia (Wiley)

WASHINGTON, May 1, 1945—7 p. m.

467. Reurtel 607, April 25. The Department is sending to all of the missions in the other American republics a circular telegram ⁴⁷ with respect to discussions between the Department and the British Ministry of Economic Warfare with respect to Proclaimed List policy

⁴⁴ Alberto Lleras Camargo.

⁴⁵ To attend the United Nations Conference on International Organization held at San Francisco, April 25–June 26, 1945.

⁴⁶ Thomas Maitland Snow.

⁴⁷ Dated April 28, p. 661.

in post-hostilities period. The tentative agreement, to be more fully described in the circular, contemplates fairly prompt action to withdraw the list substantially from those of the other American republics which have carried forward an effective replacement program. Among those relatively few of the other American republics from which the list would not be thus withdrawn would be Colombia, which, as your 607 under reference indicates, has taken no effective measures to nationalize or liquidate Axis spearhead enterprises.

The Department agrees that the importance of this matter should be called to the attention of the Colombian Government in as vigorous a manner as possible, and to that end it is preparing an *aide-mémoire* along the lines suggested in your penultimate sentence. In addition, it might be desirable to impress once more upon the Colombian Government the fact that the September 26, 1944 statement,⁴⁸ publicly issued, indicated that the list would be withdrawn more quickly from those countries which had effective replacement programs than from those which had not, and that among those few countries which have taken no very effective steps is Colombia. The contrast between the very effective measures carried out in a country like Ecuador or Brazil, and the lack of action, despite discussions extending over a period of two years at the least, in Colombia, might be orally emphasized. It might be pointed out also that a country like Chile, although its program began relatively late, has already succeeded in eliminating effectively Axis banks and insurance companies and in eliminating Axis influence from a substantial proportion of the spearhead companies.⁴⁹

A copy of the proposed *aide-mémoire* will be sent to you when it is prepared.

GREW

740.21112 RP/5-445 : Telegram

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

BOGOTÁ, May 4, 1945—6 p. m.

[Received 11:39 p. m.]

643. Your 467, May 1, 1945. I was with the President a long time last night. It was the first time I have ever seen him depressed. When I talked to him about the great advisability of doing something about Axis spearhead firms he replied without beating about the bush

⁴⁸ For statement dated September 20, 1944, released to the press September 26, see *Foreign Relations*, 1944, vol. VII, p. 530.

⁴⁹ For documentation on efforts to control Axis financial transactions in Brazil, Chile, and Ecuador, see pp. 650 ff., pp. 770 ff., and pp. 1037 ff., respectively.

that it was utterly impossible for him to do anything. Shortly after July 10, 1944 (the Pasto affair)⁵⁰ he had issued drastic decrees and had been determined to clear up the matter. He had called together the National Economic Commission and everything was set to go ahead but nothing happened. He changed officials and still nothing happened. Finally a judge crucial in the matter took leave of absence and never returned to his post and even his own liberal press had turned against him.

. . . Any replacement program no matter how sound might easily be seized upon by enemies of López regime as proof of its "corruption." The Department is doubtless aware that political situation in Colombia is very active at this moment.

However, since dictating the foregoing the President, to my surprise, has telephoned inviting me to have tea this afternoon with him and the Procurador General Escallón in order to discuss further the question of foreigners in Colombia.

WILEY

740.21112 RP/6-2745 : Telegram

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

Bogotá, June 27, 1945—7 p. m.
[Received June 28—12: 55 a. m.]

871. My 643, May 4. I talked with the President again this afternoon with considerable energy on the question of the spearhead Axis firms. He referred to a recent editorial in *El Tiempo* pleading for kindness to Germans and again reiterated the impossibility of doing anything about them. After I had reiterated all the reasons why something had to be done in the matter he promised to make every effort to liquidate the situation. I shall ask my British colleague to follow up my representations.

WILEY

740.21112 RP/7-745 : Telegram

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

Bogotá, July 7, 1945—8 p. m.
[Received July 8—1: 20 a. m.]

902. As a result of my last interviews with the Pres. and Lleras Camargo a conference was arranged for me and members of my staff

⁵⁰ An uprising against the Government promoted largely by Army officers.

with Min Finance Santamaria to discuss the replacement program and repatriation of Germans. The Minister admitted that all of the previous laws and resolutions previously passed to expropriate German firms had served absolutely nothing as the Attorney General and others had found legal obstacles in their application. He said he was ready to draw up at once a new project of law which would surmount these obstacles and expressed great optimism that Congress would pass whatever legislation was required during the July session.

The Minister requested an up-to-date list of all of the firms recommended by the Emb for expropriation with details on how the Emb considered they should be liquidated or operated after expropriation. This information would be supplied the Minister next week. The Minister said that the only firm of real importance to Colombia was Bhering⁵¹ which manufactured cattle serums essential for livestock raisers. It is evident that the liquidation of this firm will be difficult to obtain without suitable American replacement.

Upon being informed of the desire of the US that all dangerous Germans be repatriated, the Minister indicated that the more promptly this could be done before problems of a financial nature became difficult the more welcome this solution might be.

However, in every conversation we have with Col. officials on this subject, Mexico is mentioned. It would be very helpful for the Emb to have some background information on what happened there and for what reasons.

WILEY

740.21112A/7-2745 : Telegram

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

Bogotá, July 27, 1945—2 p. m.

[Received 10:19 p. m.]

1000. My 987, July 26, 6 p. m.⁵² I had opportunity discuss German matters fully with President López and Foreign Minister Lleras Camargo last evening. I frankly told both that while I deeply appreciated good will shown by Colombian Government respect replacing German interests, delay in expropriation, recent injunction against A M Schering Co. in municipality of Bogotá, and finally fantastic decision respect Von Bauer,⁵³ would seem to align Colombia

⁵¹ The pharmaceutical firm, Instituto Behring de Terapentica Experimental, Ltda.

⁵² Not printed.

⁵³ Peter Paul Von Bauer, associated with Scadta and Avianca. Reference apparently is to the annulment of the cancellation of his Colombian citizenship.

with Argentina and I expressed most earnest hopes that effective action would be taken soon. President López was shocked by decision of Council of State re Von Bauer of which I believe he had no previous knowledge. Lleras stated emphatically that Von Bauer would not receive a Colombian passport and promised that next month before leaving office he would initiate a new action [to] revoke Von Bauer's citizenship; he would base this on document signed by Von Bauer, subject my 859, June 22 [24].⁵⁵

On general subject of expropriation of Spearhead and other Axis firms (my 902, July 7, 8 p. m.) both López and Lleras expressed confidence that manner in which new budget bill is drafted will force expropriation. (It includes an item of 14,000,000 pesos to indemnify Colombia for express [*expense?*] and losses in connection Colombian belligerency and Minister of Hacienda recently told me though there would be strong opposition in Congress to expropriations, this money could not readily be raised except by expropriation so he was sure bill would pass.)

I am moderately sanguine that I can work things out here and I would suggest that for present there be no pressure on Colombia from Dept.

WILEY

740.21112 RP/8-745 : Telegram

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

BOGOTÁ, August 7, 1945—10 a. m.

[Received 4:05 p. m.]

1048. Emtel 1041, Aug. 4.⁵⁵ Minister of Finance, Santamaria, has just confirmed to the Embassy that an executive resolution has been signed by the Minister of Foreign Affairs and President López ordering liquidation of Axis spearhead firms.

Minister Santamaria expressed confidence that no further obstacles would remain in the way of prompt liquidation of Axis firms. Text of resolution follows in Embtel 1049.⁵⁶

WILEY

⁵⁵ Not printed.

⁵⁶ August 7, 11 a. m., not printed.

462.00R/11-1945

*Memorandum of Conversation, by Mr. Bainbridge C. Davis of the
Division of North and West Coast Affairs*

[WASHINGTON,] November 19, 1945.

Participants: Señor Don Carlos Sanz de Santamaria, Ambassador of
Colombia
Assistant Secretary Spruille Braden
Bainbridge C. Davis-NWC

Ambassador Santamaria expressed his desire to know the position of the United States Government with respect to the question of use of Axis property under the control of the other American Republics for the purpose of meeting reparations. He stated that his government was anxious to know our attitude with respect to such matters in order that it might cooperate as fully as possible.

Mr. Braden stated that, according to his understanding, it was the present thought of this Government that each of the American republics would settle their reparations claims from Axis property under their control and that any Axis assets remaining in an individual country would be made available to those American republics which had a deficit. The United States, however, which would have a tremendous reparations claim, would not seek to benefit from any Axis assets in the other American republics. Mr. Braden asked Mr. Davis to put Dr. Santamaria in touch with Mr. Clattenburg,⁵⁷ who would be able to discuss this matter in greater detail.

740.21112 RP/10-2445

*Memorandum by Mr. A. H. Gerberich, of the Division of North and
West Coast Affairs* ⁵⁸

[WASHINGTON,] December 6, 1945.

A proposed new law, which is expected to become operative around December 1, 1945, divided German properties into eight categories and fixes for each a percentage to be contributed to the Colombian Government as an indemnification for war costs.

⁵⁷ Albert Edwin Clattenburg, of the Special War Problems Division.

A footnote in the original at this point reads as follows: "It was subsequently ascertained that Mr. Rubin, Acting Director of ESP [Office of Economic Security Policy] would be the appropriate person to discuss this matter with the Ambassador and an appointment was made."

⁵⁸ Addressed to Mr. Davis and Mr. Flack of the Division of North and West Coast Affairs. This memorandum is a summary of despatch 1070, October 24, 1945, from Bogotá, not printed.

Colombia is understood to claim a total of 43,000,000 pesos for war damages, which includes about 14,000,000 pesos' worth of Lend-Lease shipments received from the United States. The British Embassy at Bogotá believes the Colombian Government plans to use the sum received under the new legislation to complete its Lend-Lease payments.

The total value of German properties in Bogotá is estimated at 30,000,000 pesos.

The Ambassador does not believe any German firms or individuals should be removed from the Proclaimed List until this legislation is enacted and the question of repatriation of certain German nationals is settled satisfactorily.

PURCHASE OF COLOMBIAN COFFEE UNDER REGULATIONS OF THE UNITED STATES GOVERNMENT

561.333D3/1-1045 : Telegram

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

Bogotá, January 10, 1945—9 p. m.

[Received January 11—4:45 a. m.]

54. Colombia's Exchange Control Office suspended further registrations on January 8 on the grounds that 90% of the basic quota had now been registered and that it was consequently necessary to distribute the remaining 10% among exporters, in proportion to previous exports, in order to avoid over-registration. So far as can be ascertained this is the first time registrations have been stopped because of fear of exceeding the basic quota rather than the usual increased quota. However, Exchange Control Office claims that no official confirmation has been received of recent Inter-American Coffee Board decision fixing Colombia's quota at 4,437,607 sacks.⁵⁹

This explanation cannot be considered acceptable and is not being taken seriously locally since even if Coffee Federation and Exchange Control Office have not been informed "officially" they must have received some advice from the Coffee Board delegates and Bogotá papers published the new quota decision several days ago. It is believed here that any of several motives may have prompted closing of registrations at this time. *El Tiempo* published report yesterday that the OPA⁶⁰ will permit United States coffee importers to charge roasters 2% on United States ceiling prices and it would therefore not be surprising

⁵⁹ Concerning percentage increases in coffee quotas, see airgram 29, January 5, to Rio de Janeiro, p. 351.

⁶⁰ Office of Price Administration (United States).

to see coffee registrations resumed here with higher Federation ⁶¹ prices and even higher export prices. It is also suggested that if the Coffee Federation wishes to hold back on coffee shipments to the States it will not wish to have registered and licensed coffee in excess of the basic quota lying in port and ready for shipment. On the other hand the Federation may wish to use this opportunity to stop further coffee movement until future policy can be decided upon in view of failure to secure increased United States ceiling prices. A national committee meeting is scheduled for tomorrow morning and some sort of decision is likely at that time.

Up to the present press comment has been rather noncommittal but of possible significance is the telegram sent to members of the Asociación Nacional de Exportadores de Café by Arcesio Londono Palacio, head of the Asociación and brother-in-law of Gonzalo Restrepo, Minister of Finance, which reads in paraphrased translation: Government resolved to postpone registration of coffee contracts applying to increased quota recently decreed until it can regulate matter so as to take advantage of the export of said increase in the basic quota.

Also worthy of comment is a recent declaration made to the press by Salvador Camacho Reyes, former manager of the Bolsa de Bogotá, in which he stated Colombia would do well to withhold her coffee rather than her dollars, since coffee could be kept over an indefinite period and a good future in foreign markets was in prospect. Camacho also suggested possibility of exchanging United States transport equipment for coffee. This morning's *El Tiempo* gave favorable editorial comment to this viewpoint. Incidentally Camacho's statement regarding the inadvisability of receiving additional United States dollars coincides with the views on inflation recently expressed to me by the President.

WILEY

561.333D3/1-245 : Telegram

*The Acting Secretary of State to the Ambassador in Colombia
(Wiley)*

WASHINGTON, January 13, 1945—5 p. m.

48. ReEmbs no. 4 of January 2; no. 10 of January 3; no. 51 of January 10; ⁶² no. 54 of January 10. In view of the general Colombian attitude with regard to the coffee quota increase the Department wishes to make the following observations for the information of the

⁶¹ National Federation of Coffee Producers.

⁶² None printed.

Embassy. The Embassy may, at its discretion, use certain of this information, should it have occasion again to discuss the matter with officials of the Colombian Government.

Except as related to the attempt to force higher coffee ceiling prices, the change in the Colombian attitude with regard to quotas is quite startling. It was stated in an official document presented by the Colombian delegate to the Coffee Board on March 31, 1944 that the operation of the Coffee Agreement⁶³ had demonstrated "that the quota of Colombia clearly proved insufficient to absorb an adequate part of Colombian production". He introduced a resolution in April 1944 for an increase to 200 percent. This was apparently the occasion to which President López refers (Embassy's no. 4, January 2) as the time when he intervened in an effort to secure higher quotas.⁶⁴

Before Colombia consented on May 31 to renewal of the Agreement unchanged for a year following October 1, 1944 the Colombian delegate proposed a motion that the Coffee Board recommend to the participating governments an increase in the Colombian share of the total quota to about 24 percent. This policy was reversed when the Colombian delegate voted on December 28, 1944, along with Brazil and Haiti, against the quota increase effected by the Board.

It would appear that Colombia stands to gain more than any other country from a large quota since she has relatively more coffee that would find a ready market in this country. If it was Colombia's main concern in seeking a larger portion of the basic quota to secure for herself a greater share of this market, present circumstances give her an admirable opportunity to accomplish this.

President López seems to believe that the United States in some way insists that Colombia meet its new increased quota with attendant increases in holdings of "unwanted American dollars". While we hope that Colombia will ship as much coffee as possible, this country cannot and does not compel any country to export increased quantities against what it regards as its own interests.

With respect to the inflationary effects of accretions of dollar exchange as a result of the quota increase, it may be observed that such effects are not a necessary concomitant of increases in holdings of dollar exchange since these could be offset by any of a number of anti-inflationary measures such as have been used in other countries.

⁶³ Agreement of February 27, 1942, Department of State Treaty Series No. 979, or 56 Stat. (pt. 2) 1345.

⁶⁴ For documentation on the inter-American coffee problems in 1944, see *Foreign Relations*, 1944, vol. VII, p. 134 ff.

Furthermore, the opposition of President López to the quota increase on the grounds of the impetus it would give to inflation in Colombia seems not consistent with Colombian efforts to have coffee prices raised, as this would have a like effect, although probably of a different magnitude.

Information has come to the Department which suggests that the Colombians might be willing to sell us substantial amounts of coffee provided some assurance is given that they may receive in exchange merchandise rather than dollars. The Department invites the Embassy's comments on this information.

GREW

811.5017/2-745 : Telegram

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

Bogotá, February 7, 1945—2 p. m.

[Received 9:17 p. m.]

187. President López said this morning that Colombia and Brazil were considering the possible sale of coffee to the Army. He said that he understood Brazil was willing to sell 1 million bags at existing ceiling prices;⁶⁵ but that Colombia, while willing to sell 500,000 bags Federation coffee to Army, preferred not to accept payment at this time but rather at some time in the future, say 6 months from now, at the prices then existing. In other words, if between now and the agreed date there should be a rise in coffee prices, Colombia would benefit by the increase, but if prices should be the same as today, the sale would be liquidated on that basis, the same as today's prices.

President López requested that this proposal be considered by the competent authorities, and that the Colombian Government be advised whether it would be acceptable. He said it had the advantage in Colombia of building up a dollar credit abroad which would be useful in the future, whereas an immediate influx of dollars would, he said, add to immediate inflationary difficulties (see various previous telegrams).

Please telegraph Embassy nature of reply which should be made to President López.⁶⁶

Repeated to Rio de Janeiro.

WILEY

⁶⁵ For documentation on Brazilian coffee problems, see pp. 688 ff.

⁶⁶ *Infra.*

811.5017/2-745 : Telegram

*The Acting Secretary of State to the Ambassador in Colombia
(Wiley)*

WASHINGTON, February 10, 1945—1 p. m.

167. ReEmbs 187, February 7. The offer of the Colombian Government to sell coffee to the Army has been discussed with the Office of The Quartermaster General which states that, although it needs the coffee badly and would be willing to arrange payment in such a way that the funds could be kept in this country by the Colombian Government, it is impossible for the Army to purchase supplies on the basis of prices that may prevail at some time in the future. The Office points out that similar proposals have been made concerning many other commodities and have universally been declined. The Army would prefer to purchase the coffee through regular trade channels and thus to facilitate maintenance of the normal and usual operation of the coffee trade in accordance with article XVII of the Inter-American Coffee Agreement.

The Embassy is requested to bring the substance of the foregoing to the attention of the Colombian Government, pointing out that, although the Army appreciates the offer of President López, it is impossible to accept the price provisions thereof. The Embassy is also requested to bring again to the attention of President López the Army's urgent need for and desire to purchase Colombian coffee and to inquire whether the Colombian Government is agreeable to authorizing the Federation to sell coffee to the Army at present ceiling prices. It would appear that the Colombian Government, should it wish to do so, could keep the funds on deposit with banks in this country and delay using them as a basis for credit or monetary expansion in Colombia until such time as it may desire.

GREW

811.5017/2-2045 : Telegram

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

BOGORÁ, February 20, 1945—11 p. m.

[Received February 21—2:20 p. m.]

250. ReDepts 201 of February 17.⁶⁷ President López requested me to call today to discuss the proposed purchase of 500,000 bags of coffee by the U S Army. He said that the Colombian Government would authorize the National Federation of Coffee Producers to sell the entire amount of 500,000 bags at present ceiling prices from its own stocks,

⁶⁷ Not printed.

such sale to be made within the 1944-5 current quota. It was pointed out to the President that article XVII of the inter-American coffee agreement provided that normal trade channels should be maintained in so far as possible, and that violent protests would undoubtedly be received from local exporters if they were not permitted to participate in this business. The President replied that the exporters did not have the coffee and could not afford to sell at ceiling prices, hence the only way in which the Army could expect to obtain the coffee would be by direct sale from the Federation's stocks.

The President emphasized that by making the sale through the Federation the dollar receipts could be frozen and thus the danger of giving another impulse to currency inflation could be avoided. He feels strongly on this subject. Please see my No. 4 of January 2.⁶⁸

The Department's and Army's reaction to this offer is requested by telegraph.

WILEY

811.5017/2-2045 : Telegram

*The Acting Secretary of State to the Ambassador in Colombia
(Wiley)*

WASHINGTON, February 23, 1945—7 p. m.

217. Re Embs 250, February 20. Should the Colombian Government be unwilling to authorize the sale otherwise, the Army is agreeable to purchasing the 500,000 bags of coffee under an arrangement that would not make use of the exporters in Colombia. The Army would pay the f.o.b. Colombian seaport equivalent of the Office of Price Administration ceiling prices, without any deduction for import commissions.

In purchasing the coffee the Army would make use of not more than six United States importers. Use of the importers should not in any way interfere with the plans of the Colombian Government not to permit the funds to serve as the basis for further inflation in Colombia, since the Army is agreeable to making payments for the coffee in the United States to any one who may be designated by the Colombian Government. Furthermore, it would in no way affect the price received by the Federation since any compensation the Army would allow the importers would be in the form of a commission over and above the Office of Price Administration ceiling. Under Office of Price Administration regulations such a commission may be paid to import jobbers but may not in any event be passed on to their suppliers.

⁶⁸ Not printed.

In view of the foregoing, it is assumed that the Colombian Government would not object to the use of importers by the Army, especially in view of the fact that it would greatly facilitate the Army's handling of the coffee. Please confirm this assumption so that the Army may arrange for the nomination of the importers.

The Army believes that the transaction might be consummated more rapidly if the importers made offers to the Federation, but is agreeable, should the Federation so desire, to have the Federation make offers through the importers to the Army. The price will be the same in either case.

Please take all possible steps to expedite this sale, since the Army desires to make plans for shipment of the coffee at the earliest possible moment. Because of the location of the coffee it should be possible to import it long before the million bags that are to be obtained from Brazil. Please inform the Department by telegram of all developments.

GREW

811.5017/2-2645 : Telegram

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

BOGOTÁ, February 26, 1945—noon.

[Received 3 : 38 p. m.]

281. Reference Department's telegram 217, February 23, 7 p. m. In accordance with instructions received from President López, Dr. Umana Bernal, Acting Minister of Foreign Affairs, informed Embassy this morning that sale of 500,000 bags of coffee by the National Coffee Federation to the United States Army through six American importers would meet with the approval of Colombian Government. The Federation will probably wish to receive offers from importers, but this point and other pertinent details will be reported to the Department as soon as finally decided here.

WILEY

561.333D3/3-145 : Telegram

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

BOGOTÁ, March 1, 1945—4 p. m.

[Received 9 p. m.]

307. Reference my 51 of January 10, 1945.⁶⁹ The long promised memorandum regarding Colombia's need for higher United States

⁶⁹ Not printed.

coffee prices has just been received from President López. This lengthy memorandum of 21 pages justifies the price increase on the basis of United States 1942 agricultural ceiling prices, rising food prices in Colombia, rising coffee production costs, low standard of living levels for Colombian coffee growers, the impossibility of a thorough-going control of internal inflation, the recent arbitrary coffee quota increases, the world wide coffee shortage threatened by the opening of European markets, and the necessity for popular support here of the Colombian Government's policy of cooperation with the United States. Although no actual statistics for production costs are offered, particular stress is laid on the argument that without an increase in coffee prices the maintenance of the present exchange rate is essential, and that with the increase in coffee exportation the currency circulation is greater, raising in turn the costs of production, but without affording relief to the grower in the form of higher prices per sack.

The Spanish text of the memorandum together with a first draft translation thereof is being forwarded by today's air mail pouch.⁷⁰

Repeated to Rio.

WILEY

811.244/3-1345 : Telegram

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

WASHINGTON, March 13, 1945—6 p. m.

292. The following is sent at the request of the Office of the Quartermaster General:

"Regarding 500,000 bags of coffee, contractors are having great difficulty in arriving at prices with Federation. Army agreed and expects to pay equivalent of ceiling prices. Office of Price Administration requires deduction of the following charges, basis December 6, 1941: cash discount, ocean freight, marine and war risk insurance, 1% loss in weight which includes weighing charge. These deductions are mandatory to arrive at legal ceiling prices f.o.b. seaboard. Please impress on Colombian authorities and the Federation that the Army can not exceed ceiling prices less deductions cited and that it is very anxious to settle price question in order to begin moving coffee. Colombian authorities should also be informed that ceiling prices are for the best excelso quality and that the Army is depending upon the Federation to deliver only such qualities as will meet the OPA quality specifications."

⁷⁰ Copies transmitted to the Department in despatch 313, March 1, 1945, from Bogotá, not printed.

Embassy is authorized to comply with the foregoing request. Army is in urgent need for coffee. Immediate action is therefore necessary. Please report by telegraph.

STETTINIUS

811.244/3-1545 : Telegram

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

Bogotá, March 15, 1945—2 p. m.

[Received 5:29 p. m.]

399. Reference Department's 292 of March 13. Federation manager Mejia denies vehemently that deduction of 1% loss in weight from prices offered is a legal OPA requirement and hints that Army is being deceived by importers into including this condition. Mejia will probably propose that Federation make sale directly to Army on C.I.F. New York basis which he says would enable Army to economize over \$200,000 in commissions to importers there and would incidentally give Federation additional profit of 7½ cents per bag. However, Machado's representative here has already accepted Federation's price for 200,000 bags and these will be shipped during March if shipping is available.

In order to counter Mejia's claim that 1% loss in weight clause is unusual and unheard of, please telegraph urgently in name of United States Government that such clause is legal and integral part of OPA regulations and cannot be withdrawn.⁷¹ If Mejia should be right and this condition can be withdrawn, no further obstacle to deal seems likely. If he is mistaken, Embassy hopes to make general agreement in principle stick by pointing out that Colombian Government agreed to F.O.B. Colombian seaport equivalent of OPA ceiling prices and that weight loss condition is integral part of such equivalent.

WILEY

811.244/3-2245 : Telegram

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

Bogotá, March 22, 1945—8 p. m.

[Received March 23—12:45 a. m.]

454. ReDeptel 307, March 16. The Minister of Foreign Relations⁷² informed me today that he had actively intervened in the coffee trans-

⁷¹ Authorization was sent in telegram 307 to Bogotá, March 16, 1945, 3 p.m., not printed, to inform the Colombian Government that OPA regulations required the deduction of 1 percent for loss in weight (811,244:3-1545). For the pertinent regulation, see 9 *Federal Register* 901.

⁷² Alberto Lleras Camargo.

action for the Army and is sure he had the matter satisfactorily arranged. He said that Manuel Mejia told him however that there is still one obstacle in that the six importers designated by the Army are in disagreement about the price. In any event the Minister stated that the coffee is already moving to port and will be available so that when ships are provided next month there will be no delay in shipping.

The Minister then turned to the question of the ceiling price of coffee about which he showed great anxiety saying that the present cost of production placed producers in a critical situation. He said that the financial situation of the government would not permit subsidies. He laid much stress on the disastrously lower standard of living of workers in the coffee industry.

WILEY

811.5017/3-2745 : Telegram

The Acting Secretary of State to the Ambassador in Colombia (Wiley)

WASHINGTON, March 29, 1945—6 p. m.

360. ReEmbs 481, March 27.⁷³ We are informed by Quartermaster General's Office that agreement has been reached with six importers on the following uniform quotations which are f.o.b. Colombian Atlantic port equivalents of OPA ceiling prices including 1 percent deduction for weight shrinkage and all other deductions, in American cents per pound: For coffee sold on basis shipping weight, Medellín, 15.156; Armenia, 14.974; Manizales and Sevilla, 14.792; hard beans, 14.549. For coffee sold on basis landed weights, less actual tares: Medellín, 15.26; Armenia, 15.076; Manizales and Sevilla, 14.893; hard beans, 14.648. Shipments from Colombian Pacific ports would be 6 points less per pound.

Naumann Gepp's quotations cited in your 481 were before necessary deductions for forwarding and inspection charges. Naumann Gepp forgot these deductions when quoting Mejia.

GREW

811.5017/4-545 : Telegram

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

BOGORÁ, April 5, 1945—9 a. m.

[Received 2: 46 p. m.]

510. Embassy yesterday received Federation's formal written acceptance of coffee prices as contained in Department's telegram No.

⁷³ Not printed.

360, March 29, on basis of landed weights. Following is a summary of Federation's revised statement of terms of sale transmitted with its letter of acceptance:

1. Federation will sell only coffee from past crops and not from present crop.

2. Federation will be paid by means of 15-day sight drafts drawn against New York principals and accompanied by shipping documents.

3. Liquidation will be made on basis of accepted weights at United States ports.

4. Purchasers will inspect coffee at port of embarkation and coffee delivered there by the Federation will be considered as satisfactory. Any claims made by Army will be adjusted as in paragraph 5 below.

5. Any amounts which the Army rejects will be cancelled or replaced according to the Army's wishes, the Federation receiving all rejected amounts in New York.

6. The Federation will only reimburse purchases of rejected coffee for the amounts paid for the coffee plus the freight stipulated in the respective shipping documents and the usual maritime insurance.

7. The Federation will advise purchasers of the respective sales prices in a separate letter.

Federation has requested Embassy to inform American importers of these new conditions and that Federation is prepared to make shipments at the opportune time. The Department is requested to inform six importers of foregoing conditions. Spanish text of Federation's letter of acceptance and condition will be forwarded by airmail today.⁷⁴

Repeated to Rio.

WILEY

811.5017/8-745 : Telegram

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

Bogotá, August 7, 1945—1 p. m.

[Received 5:27 p. m.]

1051. Embtel 890, July 5.⁷⁵ Minister of Finance, Santamaria, informed us today that he had instructed the Office of Exchange, Import and Export Control, in cooperation with the National Federation of Coffee Growers, to adjust the Colombian minimums on coffee exports to conform strictly with OPA ceiling price equivalents as communicated by this Embassy.

Due to intervening holidays, I do not expect, however, that this will be accomplished before the end of the week.

WILEY

⁷⁴ Copy transmitted to the Department in despatch 433, April 5, from Bogotá, not printed.

⁷⁵ Not printed.

811.5017/11-2345

*The Chargé in Colombia (Lockett) to Mr. Bainbridge C. Davis of
the Division of North and West Coast Affairs*

Bogotá, November 23, 1945.

DEAR MR. DAVIS: The reaction against us here in Colombia has been so terrific because we did not increase our ceiling price on coffee five cents instead of three cents, or because we did not eliminate the ceiling price altogether, that I want to write you a few lines about it.

With a very few exceptions, the tirade against us in the press and by individuals interested in coffee has included such terms as "unreasonable," "unjust," "dictatorial," and many other such words, as well as the statement that the Office of Price Administration by its three-cent decision had retarded the Good Neighbor policy for twenty years. Not in one instance that I have seen did an editorial writer or a commentator take into consideration conditions prevailing in the United States or the determination of our people to hold prices within reason.

In my estimation the torrent of criticism against us has its origin in selfish interests and in propaganda in the press to see if sufficient pressure could be brought upon us to cause a reconsideration on the part of the Office of Price Administration. Of course, my feeling is that speculators in coffee, including producers, coffee associations, and some United States importers, made it impossible for our authorities to remove the control on coffee because they were hoarding it and withholding large supplies from the market in anticipation of making a killing when the controls might be removed. While I regret that we are being subjected to such unreasonable and unwarranted propaganda and criticism, I certainly can not take issue with the decision made by our control authorities under existing conditions. In spite of the existing deluge of bitter propaganda which is being directed against us, it is my belief that it will gradually decrease and that much coffee will be shipped in order to take advantage of the new price between now and March 31.

Amidst the storm which is blowing against us, one important and influential commentator, Calibán (Enrique Santos), has taken a very sane attitude toward the situation in his column in *El Tiempo*. While he does not hesitate to say that the increase of three cents is unjust, he warns his people that to attempt reprisals against us would be a very foolish procedure. Regarding the idea advanced by some coffee producers that new markets should be developed, leaving the United States market to take care of itself, Calibán cautioned that the present

and future market for Colombian coffee is the United States and that Colombian producers might as well accept that fact realistically. He pointed out that should Central and South American producers withhold coffee from the United States, it would only mean that importations of African coffee would be greatly encouraged. It is a strange coincidence that a Russian ship arrived at a Colombian port to take some eighty thousand sacks of coffee right in the middle of the widespread propaganda against us. Concerning this particular point, Calibán comments that the hullabaloo and fanfare made over the sale of eighty thousand sacks to Russia is nothing other than propaganda and will have no future to it. I assume Calibán meant that the future market for coffee in Russia is not particularly promising, especially when compared with the tremendous consumption in the United States.

Some of the editorial writers and commentators have accused us of not following or violating certain economic principles enacted at the Chapultepec Conference.⁷⁶ In this respect we are being condemned for supposedly not taking into consideration the cost of production in determining the ceiling price for coffee. Be that as it may, I have the feeling that it was necessary for us to establish temporarily a buffer ceiling price so that our own people would not be gouged by coffee speculators. The more uncertainty there exists as to what we intend to do when the present ceiling price terminates on March 31, the more difficult it will be for speculators to continue holding their golden coffee in anticipation of higher prices. In the general interest I would like to see coffee producers the world over receive a just and fair price, but, at the same time, I am glad to see that the interests of our own people are being given due consideration. During the period of the war we were so liberal in many respects with our neighbors that it is now very difficult for some of them to realize that we must now also take into consideration the welfare of our own people.

With kindest regards [etc.]

THOMAS H. LOCKETT

AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA RELATING TO A WAIVER IN RESPECT OF TARIFF PREFERENCES ACCORDED ECUADOR BY COLOMBIA UNDER A TREATY OF COMMERCE BETWEEN COLOMBIA AND ECUADOR, JULY 6, 1942, AS AMENDED OCTOBER 14, 1943, SIGNED APRIL 17, 1945

[For text of agreement signed at Bogotá, see Department of State Executive Agreement Series No. 496, or 59 Stat. (pt. 2) 1815.]

⁷⁶ For documentation on this Conference, see pp. 1 ff.

COSTA RICA

DISCUSSIONS REGARDING MILITARY AND NAVAL COOPERATION BETWEEN THE UNITED STATES AND COSTA RICA; AGREEMENT FOR A MILITARY MISSION

810.20 Defense/6-1545

The Secretary of State to the Ambassador in Costa Rica (Johnson)

No. 155

WASHINGTON, July 20, 1945.

SIR: Reference is made to your dispatch no. 632 of June 15, 1945,¹ with regard to the size and composition of the Military Mission to be assigned to Costa Rica. For your confidential information, the question of future military collaboration with the Other American Republics is still a subject of discussion with the War and Navy Departments. It is none the less the Department's opinion in this instance that in view of the small size of the armed forces of Costa Rica, the Military Mission should also be limited in size, to the number of officers and men required for training purposes; and that a small Mission could effectively carry out the policy objectives of the Military Mission program: of precluding the assignment of a Mission from another country, and of effecting standardization of equipment, organization, training methods, tactics, etc.

The Department is also aware of the facts and traditions of Costa Rica's national life, which are identified with civilian control of the machinery of Government and minimum intervention therein by the military. It consequently feels that it would be undesirable to assign United States Military officers to perform in Costa Rica functions which are normally fulfilled by civilians. There would appear to be no advantage to be gained by inaugurating in Costa Rica the practice of having military officers handle matters outside their direct field, and so perhaps build up the custom of military operation of governmental functions.

For your further confidential information, President Truman has recently approved a policy whereunder the Department of Commerce is to seek appropriations to enable it to extend assistance, when

¹ Not printed.

requested, to the other American Republics in connection with civil aviation problems. It would seem that Costa Rica's desires for expert assistance in this field could more properly be met under this program. It must be realized in this connection that a military officer would not necessarily be qualified in the civil aviation field.

The Department also believes that the general considerations mentioned above would militate with equal force against the assignment of a veterinary officer to the Military Mission. Expert counsel in this field would be available to Costa Rica under the terms of Public 63,² providing for the loan of experts upon the request of the governments of Other American Republics, or through the assignment of a properly qualified veterinarian to the Food Supply Program under the Institute of Inter-American Affairs, or perhaps to the agricultural school at Turrialba.

For the foregoing reasons, the Department opposes the assignment of an officer of the United States Army to assist Costa Rica in the field of civil aviation or in the field of veterinary medicine.

Very truly yours,

For the Secretary of State:

NELSON A. ROCKEFELLER

800.24/11-2045

The Ambassador in Costa Rica (Johnson) to the Secretary of State

No. 1246

SAN JOSÉ, November 20, 1945.

[Received November 28.]

SIR: With reference to the Department's secret Instruction of September 11, 1945³ entitled "Future Military Cooperation with the Other American Republics,"³ I have the honor to refer to the fact that while I was on consultation with the Department I received a letter from the Chargé d'Affaires, Mr. Gibson, stating that he considered it best to postpone answering the Instruction until my return to San José.

Upon receipt of this letter in Washington, I conferred with Mr. Cochran⁴ and Mr. Furniss⁵ and gave these Offices my opinions upon the recommendation resulting from the staff conversations.

In confirmation of my remarks at that time, I desire to repeat that the recommendations resulting from the staff conversations in San José appear to be sound but that the political conditions in Costa Rica

² Public Law 63 of the 76th Congress, May 3, 1939; 53 Stat. (pt. 2) 652.

³ *Ante*, p. 249.

⁴ William P. Cochran, Chief of the Division of Caribbean and Central American Republics.

⁵ Edgar S. Furniss of the Division of American Republics Analysis and Liaison.

would make it unwise to supply more than the minimum military supplies recommended. It must be borne in mind, however, that any arms turned over by the United States Government to the Costa Rican Government may make their appearance on election days here and thus give the losing opposition the opportunity to allege that the result of the elections was decided by the potential use of guns coming from the United States. My own opinion as to the soundness of the recommendations is predicated upon the understanding that higher authorities have decided to make a certain amount of arms available to Latin American countries.

It is well known to the Department that there is no money in the Costa Rican treasury and it obviously follows that the probable effect upon the financial structure of this country of expenditures for armaments of any kind would be unhappy.

Respectfully yours,

HALLETT JOHNSON

[An agreement between the United States and Costa Rica, signed at Washington December 10, 1945, authorized the establishment, as of that date, of a 4-year military mission to Costa Rica for the purpose of enhancing the efficiency of the Republic's army, and provided that prior to inception of operations by the mission, a tentative program for the mission would be agreed upon informally between the Minister of Public Security of Costa Rica and representatives of the War and State Departments of the United States. For text of the agreement, see Department of State Executive Agreement Series No. 486, or 59 Stat. (pt. 2) 1682.]

**EFFORTS TO IMPROVE THE FINANCIAL CONDITION OF COSTA RICA
WITHOUT FURTHER LOANS FROM THE UNITED STATES⁶**

818.51/1-2445

*Memorandum by the Assistant Chief of the Division of Caribbean and
Central American Affairs (Cochran)*⁷

[WASHINGTON,] January 24, 1945.

I have already discussed briefly with Ambassador Johnson the suggestion that we extend further financial assistance to Costa Rica in order to prevent instability.

⁶ For documentation concerning United States financial aid to Costa Rica in 1944, see *Foreign Relations*, 1944, vol. VII, pp. 882 ff.

⁷ Addressed to Hallett Johnson, Ambassador-designate to Costa Rica (who presented credentials February 14, 1945), and to Avra Warren, Director of the Office of American Republic Affairs.

I am opposed to this proposal for the following reasons:

1. It would be throwing good money after bad. Costa Rica has not been paying anything on its foreign loan for years. The Administration which preceded the present one⁸ . . . ran the country's total indebtedness to unheard-of heights. Costa Rica has no credit and it would be a complete misnomer to term any such advance a loan.

2. It would encourage improvidence. During the preceding administration, Costa Rica lived far beyond its income, and when Picado took office in May of 1944, the country was in . . . bad financial shape. For some time the President was unable to find anyone to even accept the job of Finance Minister. Picado and his financial advisor, Julio Peña,⁹ planned certain reforms to reduce governmental expenditures. A few were placed into effect, but they have been unwilling to grasp the nettle firmly and to reorganize the situation basically as must be done sooner or later. I think it would be a bad precedent to have the Costa Ricans feel that they did not need to keep their financial house in order, that all they had to do if they were improvident was to call upon the United States for another loan which will in fact be only a gift and which could be justified only on political grounds.

3. The influx of further large sums of money in dollar exchange would add to the already excess inflation.

4. There is no certainty that Costa Rica would adopt the necessary financial reforms even were the loan granted on the basis that it should do so. This comment is based upon the recent experience of the Export-Import Bank (see below).

5. The Export-Import Bank would, in my opinion, be both unable and unwilling to make such a loan, and I do not know from what other source it might be obtained. I doubt that the Export-Import Bank is permitted under its statutes to make a purely political loan. Furthermore, when Picado visited the United States after his inauguration, [election]¹⁰ he asked for a one-year extension in the beginning of amortization payments on the present Export-Import Bank loan¹¹ scheduled to begin in February, 1945 (money was to be put aside for this purpose beginning in August, 1944). His Financial Advisor assured the Export-Import Bank that appropriate financial reforms would be instituted immediately. On this basis, the Bank said that it would consider the matter when the occasion arose. Sometime later Costa Rica requested this extension. The Export-Import Bank had no information to indicate that the promised financial reforms had been made and wrote a letter rejecting the request. Before this letter could reach our Embassy in San José and be delivered, the Bank received a

⁸ Rafael Angel Calderón Guardia preceded Teodoro Picado who took office on May 8, 1944.

⁹ Julio Peña Morúa, General Manager of the Banco Nacional de Costa Rica since 1934.

¹⁰ Teodoro Picado was elected President of Costa Rica on February 13, 1944, and visited the United States in late April, prior to his inauguration on May 8.

¹¹ Reference is to a so-called Stabilization Loan of \$2,000,000 made to the Costa Rican Government by an agreement of July 9, 1942. The agreement, not printed, was drafted in accordance with instructions in telegram No. 264 to Costa Rica, June 27, 1942, *Foreign Relations*, 1942, vol. VII, p. 251.

communication from Julio Peña stating that financial reforms had been effected and that Costa Rica's finances were in good shape. On the basis of this latter communication, the Bank cancelled its first letter and indicated its willingness to grant a one-year postponement of amortization payments. Legislation to effect this was introduced in the Costa Rican Congress which, allegedly upon the assurance of the Costa Rican Ambassador in Washington¹² that he could obtain better terms, approved postponement of the payment until one year after the termination of the war. This was entirely unacceptable to the Export-Import Bank, which so informed the Costa Rican Ambassador in Washington,¹³ adding that it withdrew its offer to accede to a one-year postponement. However, the Ambassador telephoned his Government before any formal notification in this sense would be sent to Costa Rica, and the Assembly rushed through a bill approving the original proposal for a one-year postponement. The Bank, after consulting the Department, felt that it had to accept this *fait accompli*, but it does not like the Costa Rican method of doing business. Furthermore, the Bank considers that Julio Peña misled them when he stated that appropriate financial reforms had been made and that Costa Rican finances were in satisfactory condition. The Export-Import Bank is in no mood to extend any further credit to Costa Rica.

6. I question whether the move would be effective. If the object is to maintain a democratic government in power, this is intervention. I have no reason to believe that another government which might come into power would be any less liberal and democratic than the present government

I hate to take a purely negative attitude on a proposal intended to benefit one of our neighbors but feel I must question both the practicability of the proposal and the effectiveness of the intended benefit. I do not believe that we have been unfeeling in our attitude toward Costa Rica. At the request of that Government, we have sent two separate Treasury experts to study their financial set-up.¹⁴ Both have made extensive recommendations. In neither case have the recommendations been implemented by the Costa Rican Government. Recognizing the precarious nature of Costa Rica's governmental finances, the Department has for a year avoided proposing any co-operative project which might involve the use of Costa Rican funds—in order to avoid placing further strain upon the Costa Rican treasury. The Foreign Economic Administration has been billing all the countries of the hemisphere for their proportional payment for material

¹² Francisco de P. Gutiérrez.

¹³ Letter signed by Warren Pierson, President of the Export-Import Bank of Washington, December 5, 1944, addressed to the Costa Rican Ambassador, who refused to accept it when it was handed to him on December 5 by Eugene Le Baron of the Bank. For letter and account of the manner in which it was received, see *Foreign Relations*, 1944, vol. VII, p. 887.

¹⁴ Financial studies were conducted by Norman T. Ness and Thomas Kekich between December 1942 and September 1943.

supplied under Lend Lease.¹⁵ The Department has insisted that instructions transmitting these statements to Costa Rica differ from those sent to the other American Republics. In the case of the other countries, the flat request is made that payment be transmitted by check. This statement is deleted in the case of Costa Rica, which has merely been informed of the amount owed without being dunned for payment. Through these and other measures, including the action of the Export-Import Bank in postponing amortization for one year, the Department has attempted to assist Costa Rica. There does not appear to have been during this period any equivalent determination on the part of the Costa Ricans to help themselves. It is with all of these considerations in mind that I express my opposition to Ambassador Johnson's suggestion.

818.51/2-1645: Telegram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

SAN JOSÉ, February 16, 1945—4 p. m.

[Received 8:44 p. m.]

100. Minister of Finance¹⁶ told me yesterday afternoon that Government will shortly introduce projects of law for financial reforms to Congress (probably by the middle of March) and that all political parties will approve financial reform since it is realized that if constructive action is not taken the Government and country would be in danger of disintegration. He added that in order to show its good faith the Government must secure the passage of the proposed legislation as soon as possible.

The projects of law taken by Soto Harrison to Washington¹⁷ are now in hands of a committee composed of former Ministers of Finance who are said to be making changes of a technical nature. Leading bankers have been consulted. The Embassy will be given the amended projects as soon as they take final form.

Please cable me whether drafts presented by Soto Harrison in Washington meet the approval of Department, Ness and Warren Pierson and what changes if any are suggested.¹⁸

JOHNSON

¹⁵ For information concerning lend-lease payments in Latin America, see pp. 231 ff.

¹⁶ Costa Rican Minister of Finance, Alvaro Bonilla Lara.

¹⁷ Fernando Soto Harrison, Costa Rican Minister of Interior (Gobernación), visited Washington earlier in the month on a confidential mission designed to improve the financial situation in his country.

¹⁸ In airgram 160, March 5, 1945, the Acting Secretary of State replied that no drafts had been presented to the Department, and that in any case it would deem it improper to express an opinion on proposed foreign internal legislation (818-51/2-1645).

818.51/4-1045 : Telegram

The Secretary of State to the Ambassador in Costa Rica (Johnson)

WASHINGTON, April 10, 1945—3 p. m.

140. From Rockefeller.¹⁹ Reurlet March 27.²⁰ Nature of Fernando Soto Harrison's mission was to ascertain informally position of this Government toward extension of present credit²¹ and additional 3 million dollars making total of 5 million dollars with extension of payment date of original loan for a longer period. We will try to work out some satisfactory solution that will help him meet his problem. In view of presence of Finance Minister at San Francisco Conference,²² this subject might well be discussed with Costa Rican Minister of Finance and with appropriate officials of this Government at San Francisco. [Rockefeller.]

STETTINIUS

818.51/4-1145

The Ambassador in Costa Rica (Johnson) to the Assistant Chief of the Division of Caribbean and Central American Affairs (Cochran)

[Extract]

SAN JOSÉ, April 11, 1945.

DEAR BILL: I am a bit confused as to the Department's attitude toward a further loan to Costa Rica. Your memorandum of January 24 addressed to Avra Warren and myself and Avra's concise remarks made it clear that at that time the Department was opposed to making any further loan.

I have just received telegram No. 140, April 10, 3 p. m. "for the Ambassador from Rockefeller" in reply to my letter to Mr. Rockefeller²³ asking for information as to Soto Harrison's mission. This telegram makes it appear that the Department's views have changed entirely, as a matter of fact not only caught up with but gone far further than my own. I believe that no loan should be made to Costa Rica at least until the projects of law for financial reform have been passed by Congress, to which body they will be presented shortly.

The Minister of Finance, Bonilla Lara, is going to San Francisco

¹⁹ Nelson A. Rockefeller, Assistant Secretary of State for American Republic Affairs.

²⁰ Not printed.

²¹ The \$2,000,000 loan of July 9, 1942.

²² United Nations Conference on International Organization, San Francisco, California, April 25-June 26, 1945. For documentation concerning this Conference, see vol. I, pp. 1 ff.

²³ Letter dated March 27, 1945, not printed.

and intends to proceed to Washington after the Conference, but as I understood what he said to me a few days ago, he merely intends to talk over his project for a Caja de Amortización²⁴ for the Costa Rican public debt and does not intend to ask for an extension of the present credit or an additional loan. I will, however, have another talk with him before he goes and will telegraph the Department what I can learn of his plans.

I feel that the Costa Rican Congress will have a stronger motivation to pass the financial reform laws if another loan has not been made or promised to Costa Rica before that action. In my opinion an intimation along these lines should be given to Bonilla Lara if he brings the matter up.

With best regards, I am,
Sincerely yours,

HALLETT JOHNSON

818.51/6-945 : Airgram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

[Extract]

SAN JOSÉ, June 9, 1945.

[Received June 15—6 p. m.]

A-313. Assuming that Costa Rica may be approaching our government sooner or later for further financial aid in the form of new loans or postponement of old ones, I am summarizing below the nation's credit position as it appears today :

The Costa Rican public debt stands at colones 231,681,569.13 as of March 31st, including accrued interest. The foreign bonded debt is colones 127,151,930.77 while total foreign debt is colones 147,885,120.57.

The foreign bonded debt is in total default, both as to principal and interest (and in the opinion of some has been written off almost completely in the minds of Costa Ricans).

On the \$2 million and \$5 million Eximbank credits, Costa Rica has paid the interest so far. But amortization of the \$2 million, due to begin in April this year, has been postponed to August and Costa Rica may ask for a further postponement. Amortization on the \$5 million Inter-American Highway loans is due to begin in 1946.

The internal debt figure as of March 31st, 1945, is colones 83,796,448.56 of which colones 29,961,062.49 represents the funded portion.

²⁴ Sinking fund or amortization bank.

Most internal bonds are discounted 30% when sold at the banks or on the street. The floating debt is at least partially in arrears.

Wage and salary payments are from 4 to 8 weeks in arrears in the case of a number of Fomento²⁵ and Public Works laborers and employees.

Government revenues for the fiscal and calendar year 1944 were colones 52.8 million as against colones 67 million of expenditures.

JOHNSON

San José Embassy Files

*The Ambassador in Costa Rica (Johnson) to the President of the
Export-Import Bank (Taylor)*

[Extract]

SAN JOSÉ, July 13, 1945.

DEAR WAYNE: The Costa Rican Minister of Finance, Alvaro Bonilla Lara, has sent me a copy of his letter to you of July 6 (I have naturally forwarded a copy of this letter to the State Department).²⁶ To my untutored financial mind, the plan seems a reasonable one and I hope that it may prove possible for you to take a kind view of it.

This is a country rich in natural resources with many well-to-do coffee growers and agriculturalists. The last administration, however, left the government in a deep financial hole. President Picado and his Cabinet are, to my mind, an honest crew who are doing their utmost to salvage the ship. Three projects of law for financial reform will undoubtedly be passed shortly by Congress since all the political parties realize the necessity of such action. These laws have been drafted along the lines suggested by Kekich and Ness of the Treasury and should, for the first time, give this little country a sound financial basis. Once this is done, these laws must be implemented and thereafter the possibility exists that taxes will be efficiently collected and that the ridiculously low income and real estate taxes will be raised.

I have felt that nothing more could be done to help Costa Rica out of its financial quagmire until at least these laws have been enacted, but subsequent to the passing of this legislation I am very keen that

²⁵ Secretaría de Fomento, the Ministry concerned with national development.

²⁶ Not printed; in his letter Bonilla Lara proposed a plan by which his Government would borrow 11,000,000 colones from Costa Rican banks in order to repay immediately the \$2,000,000 stabilization loan of July 9, 1942. In return for this advance repayment, the Export-Import Bank would be asked to allow the postponement, from 1946 to 1949, of the beginning of amortization payments on its other credit, the \$5,000,000 highway loan. (818.51/7-1245)

a country which has by far the most stable and democratic government in Central America should not be allowed to go to pot.

Very sincerely yours,

HALLETT JOHNSON

818.51/8-1445

*The President of the Export-Import Bank of Washington (Taylor)
to the Costa Rican Minister of Finance (Bonilla Lara)*²⁷

WASHINGTON, August 13, 1945.

MY DEAR MR. MINISTER: I deeply appreciate your letter of July 6²⁸ and wish to inform you that careful consideration has been given to your proposal regarding the refunding of the Export-Import Bank loan under the Agreement of August 21, 1941, as amended,²⁹ for \$5,000,000 to the Republic of Costa Rica.

In response to your request, I am prepared to recommend to the Board of Trustees of the Export-Import Bank that they approve postponement of the amortization of this loan for three years, by means of new bonds on which installment payments will commence April 1, 1949 and be payable thereafter in 47 consecutive, equal, quarterly payments, provided that such arrangement shall become operative only after the following steps have been taken:

1. Prepayment, in full, of the principal and interest on the loan under the Export-Import Bank Agreement of July 9, 1942, as amended,³⁰ for \$2,000,000 to the Republic of Costa Rica, which was outlined in your letter of July 6.

2. Execution of an amendatory agreement providing for the postponement of the amortization payments and for the pledge, as collateral for the new bonds to be issued, of the revenues from the tax on gasoline as assigned at present to the current loan.³¹ The new bonds, of course, will be a direct and unconditional obligation of the Republic of Costa Rica. Such amendatory agreement will provide

²⁷ Copy of letter transmitted to Department by the Export-Import Bank in a note of August 14, 1945, to Mr. Jerome J. Stenger of the Division of Foreign Economic Development.

²⁸ See footnote 26, p. 891.

²⁹ Agreement and amendment not printed; this agreement, as amended, established a loan of \$3,000,000 for the Inter-American Highway and a loan of \$2,000,000 for tributary roads, the total falling due in 48 quarterly installments, the first payable on April 1, 1946 (818.51/3-2245).

³⁰ Not printed; this agreement for a so-called Stabilization Loan was made at the request of the Department of State to meet a governmental financial crisis. Repayment was to be made in 14 semi-annual installments, the first payable on February 1, 1946. For documentation concerning the agreement, see *Foreign Relations*, 1942, vol. VI, pp. 239 ff.

³¹ The highway loan.

that it will not be effective until appropriate legislation has been enacted by the Congress of the Republic ratifying the agreement and that the Export-Import Bank be furnished with opinion of counsel that all legal steps have been taken to make the agreement and the new bonds valid and binding in accordance with their terms.

I shall await your reply to this letter before presenting the proposal to our Board of Trustees.

With kindest personal regards, I am

Sincerely yours,

WAYNE C. TAYLOR

818.51/7-1245

The Secretary of State to the Ambassador in Costa Rica (Johnson)

No. 196

WASHINGTON, August 29, 1945.

The Secretary of State refers to Embassy's despatch no. 736, dated July 12, 1945, enclosing a copy of a letter sent by the Minister of Finance Alvaro Bonilla Lara to Mr. Wayne C. Taylor,³² and transmits herewith for the information of the Officer in Charge a copy of Mr. Taylor's reply³³ to the aforementioned letter.

The Department was consulted by the Export-Import Bank on the proposed extension of the \$5,000,000 credit and agreed in principle to the text of Mr. Taylor's reply to the Finance Minister. The Department informed the Bank that it was prepared to recommend approval of the postponement of the amortization of this loan under the conditions as outlined in the letter from the Bank, and that this action was influenced by the fact that the Finance Minister indicated that the proposed reform laws would be enacted.³⁴ Although the postponement of the amortization will not be dependent on the enactment of the three fiscal reform laws, the Department feels that the passage of these laws in substantially the form recommended by Mr. Kekich in 1943 is essential to any real improvement in the financial situation in Costa Rica.

³² Neither printed.

³³ Letter to Bonilla Lara, August 13, *supra*.

³⁴ Laws No. 199, 200, and 201, enacted September 6, 1945, known respectively as the Organic Budget Law, Organic Center of Control Law, and Organic Law of the National Treasury and National Purveyance (818.51/12-345). These laws (1) established, effective January 1, 1946, a new fiscal organization designed to secure control over the administration of and accounting for public funds; (2) began the refunding of a floating debt of 18.8 million colones (3.3 million dollars); and (3) turned over the administration of direct income and land taxes to the state-owned Banco Nacional with the expectation of increased tax rates (818.51/2-146).

818.51/1-346

*Memorandum of Conversation, by Mr. Jerome J. Stenger of the
Division of Foreign Economic Development*

[WASHINGTON,] January 3, 1946.

Participants: Finance Minister Bonilla Lara of Costa Rica
Ambassador Francisco de Gutierrez of Costa Rica
Mr. Taylor, President, Export-Import Bank
Mr. Darton, Export-Import Bank
Mr. Stenger, Department of State

Mr. Taylor brought up the question of the debt to the Export-Import Bank. He said that it was his opinion that the two outstanding loans to the Bank should be recast and consolidated into one loan, and that he was prepared to recommend to the Board of Directors longer term notes to be covered by a pledge of the income from the gasoline tax only. He added that he would recommend a new loan agreement whereby the consolidated indebtedness would be amortizable at an annual figure to be determined from a study of the income from the gasoline tax. The gasoline tax would be re-pledged at the present figure of fifty centavos per gallon with the provision that all excess receipts above the agreed figure would be applied as additional amortizations on the new notes, and if the receipts from the gasoline tax failed to meet the amortization figure the Costa Rican Government would have to make up the difference.

Mr. Taylor alluded to the conversation he had with Mr. Bonilla at San Francisco and said that, as he had expressed himself at that time, he was willing to help the Costa Ricans as much as he could and consequently thought that the newly proposed plan would be more beneficial to them especially as the payments would be spread over a longer period of time—instead of eleven years the payments might even be spread over a twenty year period, depending, of course, on the amount of revenue realized from the gasoline tax.

818.51/2-446 : Telegram

The Secretary of State to the Ambassador in Costa Rica (Johnson)

WASHINGTON, February 4, 1946.

51. Following is text of Eximbank announcement to press for release Feb 5: Board Directors Eximbank have approved an agreement

with Costa Rica subject to approval of National Congress Costa Rica to revise amortization schedule on two loans totaling \$7,000,000, Wayne C. Taylor, President of Bank, announced today. The loans were originally authorized by Eximbank in 1940 and 1942 to assist Costa Rica in construction of Inter-American Highway and tributaries and for emergency financing in Republic as a part of general plan of hemispheric defense.

By terms of new agreement repayment of principal scheduled to begin in 1946 is reduced during years 1946 through 1950, after which time Bank has agreed to review amortization rates for succeeding years in light of conditions then existing.

"The purpose of the new agreement," Mr. Taylor said, "is to adjust loan maturity schedule as originally drawn to postwar conditions in Costa Rica. The new schedule of repayments will not only assist Costa Rica but also gives Eximbank greater assurance that repayments can and will be met in accordance with terms now established. This step has been under discussion with Costa Rica for some months," Mr. Taylor said.

Original agreements provided for retiring \$2,000,000 in full in period from 1946 to 1952 and \$5,000,000 in period from 1946 to 1958. The loans were secured by Costa Rica's pledge of tobacco and gasoline taxes. Annual payments of principal under original terms would have varied between \$377,000 and \$819,000 with an average between 1946 and 1950 of \$520,000 per year. Rate of interest is 4%. In 1946 interest and principal due would have equaled about 7% of Costa Rica's normal total revenues.

The new agreement provides that in the 5-year period from 1946 to 1950 Costa Rica shall make payments for interest and principal combined of not less than \$350,000 per year plus any amounts by which gasoline tax receipts shall exceed this sum. For 5-year period Bank has agreed to release its claim upon tobacco tax in order to assist Costa Rica in strengthening her financial economy. The original agreement provisions will again come into operation in 1951 except as they may be modified by mutual agreement at that time.³⁶

BYRNES

³⁶ This agreement of January 31, 1946, between the Government of Costa Rica and the Export-Import Bank was ratified by Congress on April 8 and signed by President Picado on April 10, 1946. It was published in *La Gaceta*, April 23, 1946, as Legislative Decree No. 503. (818.51/4-2346)

CUBA

PROPOSALS BY THE UNITED STATES FOR JOINT CONTROL AND OPERATION OF STRATEGIC AIR BASES IN CUBA¹

811.24537/1-1245

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

No. 8585

HABANA, January 12, 1945.

[Received January 22.]

SIR: I have the honor to refer to the Department's instruction No. 4763 of December 20, 1944² with further reference to the post-war use of military air bases in Cuba.

During a prolonged conversation which I had with President Grau and Ambassador Belt³ on December 28, 1944, to discuss the many matters which are pending between this Embassy and the Cuban Government, I took occasion to mention the desire of my Government to reach an agreement looking to the post-war use of the air bases at San Antonio de los Baños and San Julián. I had already mentioned this subject a few days earlier to Ambassador Belt in order to prepare the President for my conversation with him.

Grau was definite and positive on two points:

(1) The provisions of the existing Agreements⁴ for the construction and use of these bases shall be carried out—i.e., they must be turned over to the Cuban Government six months after the establishment of peace between the United States and the Axis Powers.

(2) The Cuban Government on taking over these bases will forthwith assume the obligation to maintain them in good condition and will make them available for use, in the defense of the continent, by all the American Republics, but especially by the United States.

It is therefore clear that, as anticipated by the Embassy, President Grau, as a matter of sovereignty, is adamant on the proposition that there shall *not* be a lease of the bases to anyone. Moreover, in this stand, I believe, he accurately reflects the majority of Cuban public

¹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 892 ff.

² *Ibid.*, p. 903.

³ Guillermo Belt, Cuban Ambassador to the United States.

⁴ Agreement for Military Cooperation, signed at Havana, June 19, 1942, *Foreign Relations*, 1942, vol. VI, p. 267, and Agreement for Military and Naval Cooperation, signed at Havana, September 7, 1942, *ibid.*, p. 283.

opinion. When I expanded on such points as the number and type of personnel we might have on the bases; the guarding of our planes; the weather, communication and other facilities; the question of free entry; and use of these bases by commercial aircraft, Grau evaded the issue on all points except the last two by saying that we could draft an agreement or treaty on all these details. He seemed, at first, disposed to leave the concluding of an agreement "on all these details" until after the termination of hostilities but then with reticence acceded to my point that we could not afford to leave such matters for subsequent disposal but must be ready to go ahead without delay upon the termination of hostilities since we do not know what may then be facing us.

With respect to free entry, the President again referred to his desire to put all such matters, even for Cuban governmental agencies, including the Army, under a strict control which would require special permission each time that free entry is to be granted. He assured me, however, that he would never think of any United States agency or organization paying duty; however, we would be required to obtain special permission for each importation.

With respect to the use of the bases for commercial aircraft, he agreed with my thesis that they should be kept almost entirely for military use. (I assume, however, that the War Department would have no objection to the bases being used for emergency landing purposes in the event of bad weather at the regular commercial airports or in the case of engine trouble on planes flying near the bases. I believe that this is the present situation at many of our bases.)

I told the President that I fully appreciated the points made by him and that I would inform my Government in the premises. I told him that I would request further instructions and would advise him so soon as I receive word from the Department.

I feel that President Grau has taken the only stand which could be taken by the Chief of State of Cuba under existing circumstances. We have entered into Military Agreements with the Cuban Government which have given us special privileges for the duration of the present war and until six months thereafter. It is my conviction that any Government which tried to prolong these special privileges beyond the period specified in these Agreements would immediately run into serious, not to say insurmountable, political difficulties. The Department, in this connection, will recall the articles written by Dr. Portell Vila as a result of the rather innocuous statements made to the *New York Times* by Dr. Grau shortly after his election (see my despatches No. 7592 of August 4, 1944, and No. 7689 of August 16,

1944⁵). The Cubans are particularly sensitive on the matter of sovereignty and while, in general, they accept the special arrangements made many years ago with respect to the United States Naval Operating Station at Guantánamo Bay, it is abundantly clear that no Government of Cuba could now grant to a foreign power the lease of any Cuban territory for military purposes.

It should be appreciated by the Joint Chiefs of Staff, however, that we shall probably be able to obtain, in practice, much of what they desire, although it will be difficult, if not impossible, to get this or any other Government of Cuba to sign a treaty or other agreement granting these special privileges, unless and until a state of affairs arises when the Cuban Government, in its anxiety to obtain some special favor from us, will be willing to meet our desires on this and/or other matters in return for some special privilege or assistance which they desire. It is conceivable, however, that our efforts might be materially aided were we authorized to inform the officials here as to what use we intend to make of these bases in the post-war era and to support our requests with potent arguments as to why they would be needed and how Cuba would benefit thereby. As the Department is aware, the Embassy is uninformed in these particulars and therefore is unable to advance more than general reasons as to why we need these facilities.

In the light of the aforescribed developments, the Embassy awaits further instructions from the Department.

Respectfully yours,

SPRUILLE BRADEN

810.20 Defense/7-545

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

No. 9602

HABANA, July 5, 1945.

[Received July 10(?)]

SIR: I have the honor to refer to the Department's secret telegram No. 383 of June 28, 1945,⁶ calling for a full summary of salient points, conclusions, and recommendations arrived at in the report received from General Brett⁷ regarding staff conversations held in Habana between officials of the American and Cuban armies, together with the Embassy's comments.

In reply I have the honor to enclose herewith a memorandum prepared by an officer of the Embassy, in which the four points of inter-

⁵ Neither printed.

⁶ Not printed.

⁷ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

est to the Department are separately discussed. It may be remarked that the Cuban Government's eventual request for the establishment of United States army (ground force and air force) missions to its army would, in ordinary procedure, most probably be directed to the Department of State through the Cuban Embassy at Washington, and that therefore the fact that this Embassy has as yet received no word regarding the preparation of such a request need not for the time being be regarded as an unpropitious circumstance.

Respectfully yours,

JAMES H. WRIGHT

[Enclosure]

Memorandum by Mr. H. Bartlett Wells, Second Secretary of Embassy in Cuba

HABANA, July 5, 1945.

I.

The conclusions embodied in General Brett's report on the staff conversations held between representatives of the American and Cuban Armies in Habana may be summarized, in their essential parts, as follows:

The Government of Cuba indicated, through its military representatives, its willingness to standardize on United States tables of organization and equipment; to standardize on United States armament, and to continue to depend on the United States for the supply of arms, matériel, and equipment; to lend assistance to maintain hemispheric defense within the capabilities of the army; and to take advantage of a long-range program for training Cuban army students in the continental United States and Panama Canal Department Service Schools. The above undertakings are within the capabilities of the proposed Cuban army and can be accomplished.

The appropriations allocated in the 1945-46 budget for the Cuban Armed Forces is adequate to maintain the armed forces desired.

Requested Tables of Organization and Equipment made by the Cuban representatives are well suited to the topography of the country, its available manpower, and its fiscal capacity.

The Cuban Army representatives expressed the desire to receive Ground and Air Force Missions, which the author of the report feels they should be encouraged to request as soon as practicable.

The Cuban Air Force as currently organized and equipped is capable of conducting primary, basic, and advanced flight training, but is not at present capable of engaging in effective combat operations. Progress has been sufficient to justify the receipt of a limited number of

United States combat aircraft. The present number of trained enlisted technicians is inadequate.

The Cuban Air Force desires to maintain a minimum supply of spare parts in Cuba, and to receive major items of Air Corps supply from the Panama Air Depot. It desires to expand its aviation overhaul facilities to provide for complete overhaul of all aircraft; this will require additional shop facilities and new construction.

The Cuban Air Force desires to conduct primary flight training and the corresponding ground schooling in Cuba, with advanced and transitional flight training to be conducted in schools of the continental United States. There is an immediate need for additional United States training aids and devices.

II.

The recommendations embodied in the report may be summarized briefly as follows:

The staff conversations had resulted in an agreement that the Cuban Army eventually be supplied with matériel for the following units, and it was recommended that this agreement be accepted as a basis for establishing the size, organization and composition of the Cuban Armed Forces:

- One light division, war strength, with certain modifications;
(One regimental combat team to be supplied with arms and equipment with minimum delay)
- One squadron cavalry, horse, training strength, with certain additions;
- One battery 155 mm guns, with certain modifications;
- The following matériel:
7,000 carbines cal. 30; 4,000 horses, 86 $\frac{1}{4}$ ton trucks, and 60 $2\frac{1}{2}$ ton trucks, to re-equip the Rural Guard.
- The following aircraft:
One C-47 (transport); two AT-11 (trainers); four B-25 (bombers); one CA-9 (amphibian).

It was recommended that Cuba be encouraged to accept a Ground Force and Air Force Mission at the earliest practicable date. The Ground Force Mission should include the following:

- 1—Infantry Officer
- 1—Field Artillery Officer (pack trained)
- 1—Engineer Officer
- 1—Signal Corps Officer (radio and wire trained)
- 1—Medical Officer (Bn and/or Regt surgeon trained)
- 1—Cavalry Officer (advanced horseman, pack trained)
- 1—Ordnance or Quartermaster Officer (Division and pack trained)

- 1—Veterinary Officer (field trained with pack or horse unit)
(Plus the necessary non-commissioned assistants and clerks.
The necessity of reasonable fluency in Spanish and the desirability of battle experience, as well as of combat decorations, were stressed.)

With regard to the Air Force Mission, the designation of the Chief was recommended for the earliest possible date, and the designation of "such additional air mission members as are required" as soon as practicable. It was pointed out that one officer should have extensive supply experience, and one additional officer extensive experience in aircraft maintenance.

It was recommended that quotas be authorized for approximately 90 officers and 700 men annually at the various Panama Canal Department and Continental United States Service Schools.

Coincident with the furnishing of the aircraft listed above, it was recommended that refresher courses and transition training for Cuban pilots and ground crews be conducted in the United States on B-25 aircraft.

It was further recommended that the Cuban Government be authorized to requisition upon the Panama Air Depot for necessary training aids, spare parts, accessories, engines, equipment, and general aviation supplies; that student pilots of the Cuban Air Force be given advanced and specialized flight training and associated ground school instruction in Panama Canal Department or Continental United States Service Schools; and that the United States Army Air Forces translate and publish in Spanish six sets of specified technical publications.

Finally, it was recommended that prior to the release of Air Force or Ground Force equipment by the United States, the Cuban Government be required to furnish positive assurance and make definite commitments that it will meet the financial obligations incident to the proposed reorganization of the Cuban Ground and Air Forces.

III.

Careful study of the report does not reveal any points of a salient character which fail to be reviewed and emphasized in the conclusions and recommendations summarized above.

IV.

The conclusions and recommendations which are summarized above are succinctly set forth in Folder 02 (Covering Report, general), in Folder 03 (Exhibit A, Annex I, Army Ground Force Plan), and in Folder 15 (Exhibit B, Annex II, Army Air Force Plan). No fea-

tures of them appear to be objectionable or impracticable from the point of view of the Embassy.

While it might appear that the recommendation transcribed in the last paragraph of Section II above is superfluous (the report having already indicated that the appropriations allocated in the 1945-46 budget for the Cuban Armed Forces was adequate to maintain the armed forces desired, and the body of the report having shown that the appropriations for the Cuban Armed Forces would almost certainly be maintained no matter what financial crises might beset the country), it is assumed that this recommendation calls merely for a formal assertion of what is already acknowledged to be probable and natural.

With regard to the recommendation that the Cuban Government be encouraged to accept the missions referred to, it may be stated that shortly after the receipt of the report the Acting Military Attaché⁹ called on the Cuban Chief of Staff,¹⁰ who in his presence dictated a letter to the Minister of National Defense¹¹ recommending that the missions be formally requested of the American Government. The Embassy has not yet, however, received any intimation that such a formal request is being made through the Ministry of State.

H. B[ARTLETT] W[ELLS]

810.20 Defense/7-545

*The Acting Secretary of State to the Ambassador in Cuba (Norweb)*¹²

No. 5427

WASHINGTON, August 4, 1945.

SIR: Reference is made to the Embassy's secret despatch no. 9002 [9602] of July 5, 1945, concerning the conclusions embodied in General Brett's report on the bilateral military staff conversations recently held between military representatives of the United States and Cuba. The Department is studying this report, together with those on other staff conversations.

In Section II of the enclosure to the despatch under reference it is indicated that, according to General Brett's report, the staff conversations have resulted in an agreement that the Cuban Army eventually be supplied with material to equip a specified list of air and ground force units. The Department is concerned over this indication that a specific agreement was reached with the Cuban Government during the staff conversations, since as you will readily recall from previous

⁹ Lt. Col. William E. Boone.

¹⁰ Gen. Genevo Perez.

¹¹ Commandante Salvador Menéndez Villoch.

¹² R. Henry Norweb presented his credentials July 24, 1945.

instructions concerning the bilateral staff conversations it was repeatedly stated and agreed by this Government that the conversations should be purely exploratory and that no effort should be made to reach any agreement or make any commitments during the conversations.

It is recognized that the initiation of the staff conversations by this Government involves a certain general commitment on the part of the United States to do something toward the achievement of the objectives discussed. Following the study of the results of all staff conversations, this Government will determine what steps toward the achievement of the objectives of the staff conversations are desirable, and information will be given to the government of each republic concerning what the United States is prepared to do toward these ends. It is important, therefore, that the impression not be allowed to become established that the United States is committed to the delivery of any specific amount of equipment or the undertaking of any other co-operative projects on the basis of the staff conversations alone.

The Department also wishes to comment upon two statements made in the enclosure no. 1 to the despatch under reference. On page one the statement is made that "the budget for the Cuban armed forces for the year 1945-46 is adequate to maintain the armed forces desired". On page three of the same memorandum the following statement appears: "Finally, it was recommended that prior to the release of Air Force or Ground Force equipment by the United States, the Cuban Government be required to furnish positive assurances and make definite commitments that it will meet the financial obligations incident to the proposed reorganization of the Cuban Ground and Air Forces."

The Department requests your comments on the possible inconsistency of these two statements. You will readily recognize the extreme importance of budgetary considerations in connection with plans by this Government to implement the staff conversations. You are therefore requested to transmit to the Department any comments and information concerning the effect on the budget of the Cuban Government of a full implementation of the plans for improving the armed forces discussed at the staff conversations. In this connection the Department will be glad to have any information you can provide concerning the present size and composition of the Cuban armed forces in comparison with those recommended as a result of the staff conversations as reported in your despatch.

Very truly yours,

For the Acting Secretary of State:
NELSON ROCKEFELLER

810.20 Defense/8-845

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

No. 65

HABANA, August 8, 1945.

[Received August 13.]

SIR: I have the honor to refer to the Department's secret instruction No. 5427 of August 4, 1945, regarding the bilateral military staff conversations recently held between military representatives of the United States and Cuba.

The statement, in Section II of the enclosure to the Embassy's despatch No. 9602 of July 5, 1945, commenting on General Brett's report, to the effect that "the staff conversations had resulted in an agreement that the Cuban Army eventually be supplied with material for the following units, and it was recommended that this agreement be accepted as a basis for establishing the size, organization, and composition of the Cuban Armed Forces . . ." was imprecise. No agreement was made, and no commitment was undertaken.

The Acting Military Attaché, who is the only American representative participating in the staff conversations who remains in Habana, says that the Cuban and American representatives were in accord as to what would be reasonable and appropriate for Cuba to seek in the way of additional material, but that the American representatives did not inform the Cuban representatives that they would undertake to secure for Cuba the material in question.

The Department requests my comment on the possible inconsistency of the following two statements:

(Page 1 of enclosure No. 1 to the despatch under reference:) ". . . the budget for the Cuban armed forces for the year 1945-46 is adequate to maintain the armed forces desired."

(Page 3 of the same memorandum:) "Finally, it was recommended that prior to the release of Air Force or Ground Force equipment by the United States, the Cuban Government be required to furnish positive assurances and make definite commitments that it will meet the financial obligations incident to the proposed reorganization of the Cuban Ground and Air Forces."

On page 4 of the same memorandum the Embassy commented that the latter recommendation presumably called for a mere formal assertion of what was already acknowledged to be probable and natural. The Acting Military Attaché comments that at the staff conversations the present Cuban budget for the Ground Forces was found to be adequate for maintenance of their present numbers formed into a new light division plus certain other units, while at the same time maintaining the Rural Guard at its present numbers; and that if Cuba

were to receive free of charge the additional material proposed for the Ground Forces, the additional budgetary burden would be insignificant and perhaps nonexistent.

There is enclosed herewith a copy of his report of August 7, 1945,¹³ giving a résumé of Cuban army strength as of July 31, 1945. Although this does not form a basis for comparison, man for man, with the proposed new organization, the Acting Military Attaché's statement set forth above indicates that it will not be necessary to increase the present numbers of the forces to achieve the reorganization. The proposed light division, modified, calls for 320 officers and 4,751 enlisted men, to which must be added the personnel of one squadron of cavalry (horse) and of one battery of 155 MM guns plus Panama Mounts, which is not specifically indicated in terms of figures in the report, but which is relatively small. Thus it is clear that the 969 officers and 5,469 enlisted men of the present regular army approximate or equal the number which will be required under the proposed reorganization.

Section IV-D, Finances, of Annex I (Folder 03) of the report¹⁴ indicates that "for the year 1944 Cuba expended \$12,478,960.35 on her Ground Forces. This was approximately 8 percent of her total budget of \$150,793,799. The proposed Ground Force organization will cost an estimated \$8,751,668.52 per annum for maintenance." Though the first and the last of these figures are not directly comparable (since the first includes the cost of the Rural Guard and staff, military academy, and other organizations which the third presumably does not), they are not disparate. The Committee did not believe that the military budget of Cuba would be materially cut no matter what the financial condition of the country might be, as "an Army such as Cuba's is of more use to its government during periods of financial depression than at any other time except war."

With regard to the Air Force Plan, the Acting Military Attaché did not attend the conversations in which it was discussed, and the Military Attaché for Air¹⁵ has arrived since the date of the conversations. It is stated, however (in Enclosure 4, Annex II, of the report—Folder 19¹⁴), that during the year 1944 the air corps expended \$521,894.01 for all items including personnel, rations, clothing, gasoline, oil, repairs and construction, and airplanes and equipment; that the cost of additional airplanes and equipment desired would be \$3,184,300; and that the total yearly operation and maintenance cost

¹³ Not printed.

¹⁴ The Brett report.

¹⁵ Lt. Col. Orin H. Rigley, Jr.

of the proposed air force would be \$1,020,820. Again the figures for present total expenditures and proposed total operation and maintenance costs are not comparable, and this by a wide relative margin, even if the desired equipment should be acquired free of charge. The Committee, on the other hand, remarks (Annex II, Folder 15, Section IV-E) that "the proposed Cuban Air Force is of very modest proportions and unless serious national economic disturbances occur, it is reasonable to assume that the financial obligations incident to the proposed reorganization will be met."

The report indicates present personnel of the air force as being 88 officers and 430 enlisted men, whereas the reorganized force would have a full T/O¹⁷ strength of 101 officers and 685 enlisted men and a modified strength of 91 officers and 810 enlisted men. (Full strength does not list 13 officers and 32 men at group headquarters, and 9 officers and 167 men for base services, who are listed under the totals for modified strength.)

It appears safe to conclude that the proposed reorganization in ground forces will call at most for negligible budgetary and personnel increases; and that the proposed reorganization in air forces will call for relatively considerable budgetary increases which, however, on an absolute basis will be well within Cuba's financial capacity to meet and sustain. The cost of the new items of equipment desired has not been considered in these calculations.

Respectfully yours,

For the Ambassador:
JAMES H. WRIGHT
Counselor of Embassy

811.24537/8-2245

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

No. 133

HABANA, August 22, 1945.

[Received August 25.]

SIR: I have the honor to refer to the secret Agreement for Military and Naval Cooperation entered into by Cuba and the United States on September 7, 1942, and to present certain considerations which have now become of urgent interest and concern by reason of the termination of formal hostilities in the Pacific.

Article VII of the agreement provides that its authorizations and stipulations for military and naval wartime cooperation shall remain in force for the duration of the present war and until six months after

¹⁷ Tables of Organization.

the restoration of peace between the United States and all the foreign powers with which it is at war (“ . . . durante la presente guerra y hasta seis meses después de la restauración de la paz entre los Estados Unidos y todos las Potencias extranjeras con las cuales se encuentra en guerra.”) The definition of the point at which the “restoration of peace” is reached is thus clearly a function of the United States in this instance, and I presume that it will be made by Congress shortly after the signing of a surrender document by the enemy powers in the Pacific.

At the termination of the agreement all the fixed installations of every kind placed within the Republic of Cuba by the Government of the United States or in its name, during the life of the agreement, shall be left in place and shall become without cost the property of the Government of Cuba.

Air bases established in Cuba would thus revert to the Government of Cuba. Among them the air base at Batista Field, San Antonio de los Baños, Cuba, is of extraordinary value, and the manner in which it will continue to be administered after the termination of the agreement is of great importance to the United States.

I consider that the time has now come when the question of the future administration of this base, and the manner of its operation to the best advantage of Cuba and the United States, through agreement between the Governments of the two countries, should be made the subject of discussions with the Cuban Government.

The Embassy has in the past reported the internal Cuban political sentiment which will certainly prevent President Grau from assenting to continued exclusively American jurisdiction and control over the base subsequent to the termination of the original agreement, and which may oblige him to insist upon a formal and absolute cession of the base to the Cuban Government, in pursuance of the agreement's terms, prior to the conclusion of any convention governing its future administration. I see no reason, however, why informal conversations should not in the meanwhile be conducted with a view to acquainting each of the Governments with the desiderata which the other has in mind, and with the maximum concessions which the other will be in a position to offer in such an eventual convention. I shall hope shortly to receive instructions defining what the United States Government wants with regard to the base and other bases within Cuba, on what terms, and for what period of time.

The military advantages to the United States of access to the Batista base, at the very least on conditions permitting unlimited use at all times during the life of the convention, are of course very

great. I have been informed that Batista Field is regarded by Army flyers as being the outstanding military airport in the Caribbean region, far surpassing in present utility and in possibilities for economical and extensive expansion, such as would suit the heaviest bombers now contemplated for future use, all others in the neighborhood and especially those to which we are so fortunate as to have access on ninety-nine year leases.

It is not our own advantages, however, which we will have to explain to the Cuban Government. The supporters of the present administration entertain widely the sentiment of extreme nationalism and independence of foreign and especially American capital, management control, and even technical assistance. This sentiment regrets the conditions under which we have leased the Guantánamo Naval Operating Base;¹⁸ it will certainly produce vehement arguments against any American participation in the control or operation of air bases in Cuba.

It must be offset through the presentation of overwhelming counter-inducements, founded on a sound demonstration that any future convention will be in no way derogatory or limiting to Cuba's sovereignty and developed along such lines as the following:

1. The value of the base to Cuba in connection with its own immediate defense needs and with defense policies of the American republics as a group.

2. The value of the base to Cuba economically, and most especially to the region immediately surrounding it. (In this connection Colonel Wade,¹⁹ the Commandant, estimates that the base as contemplated for the postwar period will be paying between one and two million pesos annually in wages to Cuban civilian labor, and will furnish the principal economic support of the surrounding towns, particularly that of San Antonio de los Baños.)

3. The greatly diminished value of the base to Cuba if American financial support in its operation, conditional upon a share in operation and control, is rejected. (Here Colonel Wade points out that the base now costs about \$600,000 a year to run, an expenditure which current or prospective Cuban military budgets are unlikely to cover, and also that the base must be operated as a unit, reduced scale operations not being, in his opinion, practicable. He also refers to the reverse of point 2 above—that were the base to be permitted to decline

¹⁸ Agreement between the United States and Cuba for the lease to the United States of lands in Cuba for coaling and naval stations, signed at Habana by the President of Cuba February 16, 1903 and by the President of the United States February 23, 1903, *Foreign Relations*, 1903, p. 350; and lease to the United States by the Government of Cuba of certain areas of land and water for naval or coaling stations in Guantánamo and Bahia Honda, signed at Habana July 2, 1903. *ibid.*, p. 351.

¹⁹ Leigh Wade, Commandant of the United States Army Air Forces base at San Antonio de los Baños, within which Batista Airport was located.

through lack of American financial support, a very serious economic problem would be created for the immediately surrounding region, a fact which he says is fully clear to General Genevevo Perez, the Cuban Chief of Staff.)

Thus the decision regarding the base's future, which the present agreement places in Cuba's hands, must be one that is palatable to Cuba. We must shortly let the Government of Cuba know not only what proposals we have in mind for the future of the base, but also why we feel that acceptance of these proposals would be so strongly to Cuba's advantage that the highly sensitive, personal, and nationalistic administration can afford to confront its more extreme supporters and critics with a plan for future cooperation between the United States and Cuba calling for at least unlimited American military use of the base and, if we are fortunate, for a certain measure of American administration and control as well.

I realize that the Batista base is only one of a number of similar problems in various American republics, the solution of which depends on the formulation of general policies now being explored and studied with energetic application. It is, however, a base of outstanding importance through its location, its suitability for use by the heaviest bombing planes of today and its capabilities for prompt and cheap expansion to meet the needs of the foreseeable future. Success in the conclusion of a satisfactory agreement here would probably be of great service in bringing about the acceptance of similar conventions elsewhere. For this reason, as well as those cited further above, I shall await with particular interest the Department's instructions as to the course which I should follow with regard to discussions of future arrangements relating to present American base installations in Cuba.

Respectfully yours,

R. HENRY NORWEB

811.24537/9-2445

The Cuban Ambassador (Belt) to the Acting Secretary of State

[Translation]

WASHINGTON, September 24, 1945.

EXCELLENCY: In the Military Cooperation Agreement signed June 19, 1942, in behalf of the President of the Republic of Cuba by the Minister of State Dr. José Manuel Cortina and in behalf of the President of the United States of America by Ambassador Spruille Braden, the Governments of Cuba and the United States agreed upon the

establishment of an Air Base or Unit at San Antonio de los Baños, Province of Habana, Cuba.

Furthermore, by notes exchanged between the Minister of State of Cuba and the Ambassador of the United States of America in July 1942,²⁰ the above-mentioned Governments agreed upon the establishment of another Air Base at San Julián, Province of Pinar del Río, Cuba, and, by notes exchanged in August 1942,²¹ construction work was authorized at the Camagüey Airport.

Both in the Military Cooperation Agreement and in those which resulted from notes exchanged by the representatives of the two Governments, it was stipulated that they should be in force for the duration of the war and for six months subsequent to the establishment of peace between the United States and the Axis powers.

In view of the fact that the war against the Axis powers terminated on the 2d of the present month of September and the reestablishment of peace has happily come to pass, my Government hopes that Your Excellency's Government will make the necessary arrangements in order that within six months beginning the 2d of the current month, that is, not later than March 2, 1946, there may be turned over to it the San Antonio and San Julián bases, as well as the structures built at the Camagüey airport.

My Government is very happy to have been able to contribute to the war effort with the facilities given to Your Excellency's Government for the establishment of the above-mentioned bases, which served in large part for the protection of the Western Hemisphere and naturally for that of the territory of Cuba.

I avail myself [etc.]

GMO. BELT

811.24537/11-745 : Telegram

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

WASHINGTON, November 7, 1945—8 p. m.

639. Ambassador Belt called at the Department's request to discuss informally an arrangement between the two Governments for reciprocal use of strategic airports, specifically Batista and San Julián. Belt stated present is opportune time for discussions.

²⁰ Cuban notes of July 17 and 19, 1942, and U.S. note of July 20, 1942, not printed, but see telegram 456, July 10, 1942, 6 p. m., to Habana and telegrams 584, July 17, 10 p. m., and 588, July 19, 10 p. m., from Habana, *Foreign Relations*, 1942, vol. vi, pp. 277, 278, and 279, respectively.

²¹ American Embassy note of August 26, 1942, and Cuban note of September 12, 1942, not printed, but see airgram A-97, August 24, 1942, to Habana, and footnote 40, *ibid.*, pp. 281-282.

Accordingly a draft proposal²² will be given to Belt. A copy is going forward to you by air.

You are requested to seek audience with Grau and, recalling his conversations with Ambassador Braden, to explain the proposal and seek his support therefor.

We are not prepared to agree with Cuban Note of September 24 that 1942 airport Agreements terminate on March 2, 1946. Nevertheless it is hoped that agreement on Draft Proposal can be reached prior to that date.

BYRNES

811.24537/11-2245 : Telegram

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

HABANA, November 22, 1945—7 p. m.

[Received November 23—10:15 p. m.]

755. Remytel 742, Nov 16, 6 p. m.²³ In speaking to Grau yesterday I found he had received draft proposal handed Belt and that delay in transmission may be attributed to necessity for translation in Washington.²⁴

While originally favorably disposed to idea of joint technical condition [*commission*] as contemplated in draft proposal he had changed his mind on receipt of Belt's report to effect that latter had learned that some other American Republics had doubts about joint commission. Whatever Belt had to say on this score seems to have strengthened his feelings in favor of exclusive control, guaranteeing to US use of facilities for any or all emergencies.

He pointed out that this was a common problem between US and many of the American nations, which, regardless of its secret nature, should be settled on a common basis, and that therefore Cuba would expect as favorable treatment with regard to its base agreement as was accorded any other country (I gathered the President is somewhat apprehensive lest negotiations are being pressed with Cuba with view to obtaining favorable conditions which could be cited as precedent in

²² Draft proposal dated November 5, 1945, entitled "Agreement for reciprocal use of strategic airports", not printed; this proposal called for the creation of a "Technical Commission for the Conservation of Airports," composed of equal numbers of representatives of the Cuban Air Force and of the armed forces of the United States, which would define the boundaries and superintend the operations of "strategic airports" in Cuba (811.24537/11-545). An agreement similar to the one proposed here was signed with Brazil at Rio de Janeiro, June 14, 1944; for text, see *Foreign Relations*, 1944, vol. VII, p. 561.

²³ Not printed.

²⁴ The draft proposal, not printed, was handed to Ambassador Belt on November 8

other discussions. He will doubtless wish to stall until he receives further reports on negotiations with other countries.)

I asked at this point whether he had taken into account heavy maintenance costs of keeping facilities up to date, because if these bases were to be of any real use in continental defense they would have to be kept in perfect condition at all times, with heavy additional costs as new and secret developments were incorporated into our air arm. He blandly asserted Cuba was prepared to undertake this charge in form of a contribution, and to meet changing needs he suggested that a joint technical advisory commission might be established to aid Cuban control authorities with respect to technical developments in order to maintain bases in most advanced state, Cuban technicians to be trained in the US.

Grau will have his own experts work up counterproposal to joint control commission envisaged in draft and will advise me further.

Not wishing to leave him with feeling that this clearly impractical proposal would meet the needs of the times, I showed him copy of *Life* Magazine (Nov 19) graphically demonstrating how this continent might be attacked and showing need for these fields being kept at peak of perfection at all times. I told him that I thought he had not taken sufficiently into account importance of technical skills and of costs. While I understood the political considerations that were behind his thinking, I doubted if the terms he had in mind would make a real contribution to defense of hemisphere.

NORWEB

837.9243/11-1545

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

No. 263

WASHINGTON, November 28, 1945.

The Secretary of State encloses a copy of a letter of November 15, 1945,²⁵ with its enclosure, from the Secretary of Commerce²⁶ regarding the delay on the part of the Cuban authorities in taking over and operating the weather station at Camagüey, Cuba. Observations on a twenty-four hour basis are urgently needed from Camagüey for the protection of commercial and military aircraft operations in that area. This station was operated by the Army Air Forces until their scheduled withdrawal on July 15, 1945. The Army Air Forces requested the Weather Bureau to make arrangements for the continued operation of the station. As pointed out in the letter, the Cuban authorities

²⁵ Not printed.

²⁶ Henry A. Wallace.

indicated that they would be willing to operate the station. The Cuban meteorological service has not yet taken over the station and at present no official weather observations are being made at Camagüey. Approximately one hundred commercial passenger flights now operate into and out of Camagüey daily without adequate meteorological information.

The Embassy is requested, in its discretion, to take this matter up urgently with the proper Cuban authorities, emphasizing the need for weather observations from Camagüey, as a measure of protection for the safe and efficient operation of aircraft in that area.

It is requested that the Embassy advise the Department by telegraph of the action taken in the matter.²⁷

811.24537/11-2245 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Norweb)

WASHINGTON, December 19, 1945—10 p. m.

708. Reurtel 755 Nov 22. Our Nov 5 draft was prepared after taking into careful consideration our peculiar geographical relationship with Cuba and the security interests of that country. The reciprocal and bilateral nature of the provisions of the proposal should relieve President of any preoccupation as to national prestige or sovereignty.

It may be pointed out that while many problems of hemispheric defense involve the same basic principle of cooperative undertakings and result in uniform treatment there is, in each case, the need to take into account unique local conditions.

President Grau may be assured that the only mutual concessions proposed to Cuba are those (1) which are considered vital to hemispheric security and (2) which are only those which have been proposed to—or willingly granted by—other American Republics.

In fact, an almost identical Agreement is currently in force with Brazil.²⁸ Its provisions, and even its existence are extremely confidential. We are pledged not to disclose either except by agreement

²⁷ Ambassador Norweb informed the Department in telegram 785 of December 6, 1945, despatch 664 of December 8, 1945, and airgram A-385 of March 13, 1946, that after receiving nothing more than formal acknowledgement of his Embassy note No. 863 to the Cuban Ministry of State dated December 5, 1945, an officer of the Embassy discussed the matter on March 17, 1946, with the Cuban Minister of Communications, Sergio Clark y Díaz, and the President of Cuba's Civil Aviation Committee, and was assured that immediate investigation would be made and the earliest possible action taken to correct the situation (837.9243/12-645, 12-845, and 3-1346).

²⁸ Agreement signed at Rio de Janeiro, June 14, 1944, *Foreign Relations*, 1944, vol. VII, p. 561.

Brazil FonOff. Latter now authorizes you, at specific request of Berle,²⁹ to inform Grau confidentially of Brazil-U.S. Agreement. (Make clear Grau's personal responsibility for this confidence.) Our Nov 5 draft proposal does not establish any reciprocal rights which Brazil has not granted. This includes the Joint Commission formula.

In the event Cuban negotiations or agreement were to be made public (urdes 608 Nov 29)³⁰ no mention can be made of Brazil, unless we have obtained clearance with latter for publication.

Irrespective of the Brazilian case, please reiterate to Grau the mutuality and reciprocal nature of our proposal.

Dept believes that it might prove helpful to remind Grau that a year ago he agreed in conversation with Ambassador Braden to cooperate in mutual security measures including use of airfields. It is proving embarrassing here that these promises have not been implemented.

Please discuss this question further with President as soon as possible (without awaiting counterproposal urtel 790 Dec 8),³⁰ basing your discussion on the original draft of Nov 5, stressing its reciprocal features.

Agenda for Rio Conference³¹ is strictly limited. We would consider it entirely out of order for this or any subject beyond Chapultepec treaty³² to be brought up there.

It is hoped that progress can be made in obtaining Grau's acceptance, at least in principle, within a very short time in order to meet time schedule Dept's instruction 238, Nov. 16.³⁰

ACHESON

811.34537/12-2145

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

No. 746

HABANA, December 21, 1945.

[Received December 28(?)]

SIR: I have the honor to refer to the Department's Instruction No. 38 of August 23, 1945³⁰ and to subsequent correspondence with regard

²⁹ Adolf A. Berle, Jr., Ambassador in Brazil.

³⁰ Not printed.

³¹ For documentation concerning this Conference, to negotiate treaties of mutual assistance, which was postponed after being scheduled for October 20, 1945, see pp. 154 ff.

³² The Act of Chapultepec, Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City, March 8, 1945; for text, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1543, or 60 Stat. (pt. 2) 1831. For documentation on this Conference, see *ante*, pp. 1 ff.

to the transfer to the Cuban Government of the Naval Air Facility at La Fé.

Through an exchange of notes with the Ministry of State on December 20, 1945³³ the formal transfer of the Facility in question was effected.

A copy of my note in the premises as well as a copy of the note received from the Ministry of State and translation thereof are attached as enclosures with this despatch.

Respectfully yours,

For the Ambassador:

H. BARTLETT WELLS

Second Secretary of Embassy

811.24537/12-2445 : Telegram

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

HABANA, December 24, 1945—6 p. m.

[Received 10:40 p. m.]

822. I devoted long conversation with President this morning to exposition of Department's viewpoint re bases as set forth tel 708 December 19, 10 p. m. He was unyielding in the main.

He asserted that while taking fullest possible cooperation with US in respect to defense matters as keystone he had always maintained secret agreements should be complied with and any new arrangement to serve as bridge between present and eventual future status bases should be arrived at under conditions of control but with facilities at disposal US; this he said had been his position from outset.

On my bringing up Brazil agreement he replied he felt conditions were not the same. Brazil was more distant from US and greater participation in base control by US might have been felt strategically indispensable by both countries; moreover Brazil as large country need not have experienced some sensitiveness re question sovereignty. I countered by remarking defense plans for hemisphere must be conceived as whole and that Cuba and Brazil were regarded by our Government as leading collaborators in system; it was confident expectation our Government that in view Cuba's well known desire to cooperate Cuba could do no less in present connection than Brazil had already done.

He believed talks re permanent agreement on bases should continue but thought they should be broadened to cover general problems de-

³³ Not printed.

fense including Cuba's need for ships, armaments, technical training and exchange of info. He felt we could expand opportunities for stationing US officers in Cuba for work with Cuban Defense Commissions.

His views on concept Mixed Base Commission are unchanged namely such arrangement would not take into account Cuba's feeling about sovereignty.

He had two observations re our draft plan: (1) draft does not declare specifically that secret agreements (Article XIII in agreement September 7, 1942) will be carried out as promised; (2) any new agreement should be based on postulate "as consequence of desire of Cuba to collaborate with respect defense matters Cuba and US might formulate all the conventions for defense of hemisphere which both Governments may deem necessary."

I feel my visit was very timely because obviously in intervening weeks he had altered his approach to matter and had no intention of making counter proposal perhaps re initiative as still ours as we were original petitioners. Initially I sensed his intention Cuba should take over 6 months after establishment peace and make agreement subsequently; he said several times "What we want is faithful execution present agreement". I pointed out that without discussing dates we wanted both sides in accord so when secret agreement had terminated we would have something ready to take its place. He came to concede supplementary agreement to allow carrying on without interim desirable and present talks useful to that end.

I expressed feeling our original proposal very liberal as meeting proper requirements both Governments for end in which they were equally interested; our idea was to reach arrangement both reciprocal and flexible (he had contemplated only our intermittent use bases after prior notification).

I am not yet able determine extent attitude based on real desire Cuban Air Force take over and use bases (as mentioned recent despatch) or extent Cuba wishes to use base negotiations for bargaining purposes but believe latter equally important because he finally made point our plan more limited in scope than what he had in mind.

I left it with President that after the holidays he would be prepared to resume conversations.

NORWEB

DISCUSSIONS AND AGREEMENTS RELATING TO THE 1945 AND 1946
CUBAN SUGAR CROPS AND RELATED EFFORTS TO STABILIZE
FOOD PRICES IN CUBA ³⁵

837.61351/1-945 : Telegram

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

WASHINGTON, January 9, 1945—6 p. m.

24. The present impasse in negotiations for Cuban sugar has caused concern on the part of procurement agencies here concerning the need for 1945 Cuban sugar in the near future. There may be only 300,000 tons of 1944 sugar on hand in Cuba by the end of January, if contemplated WSA ³⁶ shipping schedules are realized. You have undoubtedly discussed these projects with Norregaard.³⁷

Based on your complete reports and on Earl Wilson's ³⁸ visit to New York it is generally believed here that two principal obstacles, both internal Cuban problems, are delaying an agreement: 1. Possible wage increases and 2. Distribution of molasses proceeds. The uncertainty now so evident in the Cuban sugar industry might well be diminished, thereby increasing materially the prospects of an agreement, if President Grau were to make a final determination one way or another with regard to both these matters. It is becoming increasingly evident that the Grau administration and the Cuban industry should face these problems fairly, frankly and speedily in the interests of Cuban political and economic stability. Kindly inform the Department whether you consider it would be profitable to explain these views to President Grau expressing the hope that a definitive position on both points will be taken by his administration. If such an approach appears desirable in your opinion, the Department would likewise be ready to talk with Ambassador Belt in the same vein, and it would appreciate your recommendation as to timing.

(In addition you may wish to consider the desirability of approaching individually the various members of the Cuban negotiating commission,³⁹ with whom you have not already discussed these matters. The Department is informed that certain members of the sugar industry have received the impression, whether correct or not, that some of the Cuban commission members are piqued because their impor-

³⁵ Continued from *Foreign Relations*, 1944, vol. vii, pp. 919-958.

³⁶ War Shipping Administration.

³⁷ Nelson Norregaard, representative at Habana of the Commodity Credit Corporation, an agency of the United States Government within the Department of Agriculture.

³⁸ Director of the Sugar Branch of the Commodity Credit Corporation.

³⁹ The commission negotiating with the United States on the latter's purchase of the 1945 and 1946 Cuban sugar crops.

tance is being minimized, owing allegedly to the fact that they have not been included in recent discussions with you.)

For your own strictly confidential information, the procurement agencies are now considering the advisability of offering to buy a full 1946 sugar crop and an amount of molasses corresponding to the proposed 1945 purchase, with no alcohol for 1946. These concessions have been approved by Byrnes⁴⁰ and Vinson⁴¹ who strongly oppose higher price. A proposal along these lines would be ready for use at the appropriate moment, perhaps as soon as the Cuban negotiators indicate informal acceptance of the three cent price. Your comments in this connection would be appreciated.

STETTINIUS

837.61351/1-1045 : Telegram

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

HABANA, January 10, 1945—9 p. m.

[Received January 11—2:58 a. m.]

21. Have already discussed subjects of first three paragraphs of Deptel 24, January 9, 6 p. m., with my associates here including Wilcox⁴² and Norregaard. Every appropriate indication has been made repeatedly to Grau, Seigle⁴³ and others, but the two specific points of possible wage increases and distribution of molasses proceeds are exclusively Cuban internal affairs with which both as matter of principle and from practical aspect we should stay away out of entirely. On other hand, so recently as at luncheon today President in most positive terms reiterated to me that we will get 1945 zafra⁴⁴ sugar as needed, with or without contract. Moreover, I explained the shipping problem to him and he understands that we will have to begin taking loadings by the end of January. As I have before reported, Cubans have been trying to out-wait us, therefore for me to approach President and members of the commission or for the Department to speak to Belt in the premises would be interpreted as a sign of weakness on our part and would lessen our chances of reaching early agreement. In this connection, it is pertinent to add that while only a few weeks ago Cubans were insisting on 3.25⁴⁵ as

⁴⁰ James F. Byrnes, Director, Office of War Mobilization.

⁴¹ Fred M. Vinson, Director of Economic Stabilization.

⁴² M. L. Wilcox, Director of the Caribbean district of the War Shipping Administration.

⁴³ Oscar Seigle y Martínez, personal representative of President Grau San Martín on the Cuban commission negotiating the 1945 sugar crop purchase agreement.

⁴⁴ Sugar crop harvest.

⁴⁵ Cents per pound.

a minimum they subsequently came down to 3.15. Yesterday a leading senator reliably informed me that Casanova⁴⁶ had told him he hoped deal might be closed at 3.10. This morning Gianelloni of Punta Alegre called obviously on a fishing expedition at instance of some of his Cuban sugar friends to say that if we could only find some face saving device Cubans would accept 3¢. Finally within last week during informal talks with Casanova and Mañas⁴⁷ both have made estimates in my presence based on a 3¢ price.

Today I reiterated to Grau that 3¢ was absolute tops because any increase in sugar price here would upset our entire price structure at home and I suggested to him as I had to Gianelloni that delegates had an ample face saving device in the security clause of our proposal.⁴⁸ Grau observed that the industry was trying to put him on political spot of having it appear that he had forced acceptance of 3¢ price whereas he was confident they would in due course accept voluntarily.

The impression mentioned fourth paragraph Department's telegram that certain members of industry are piqued is so much "eye wash" because I have always seen Seiglie or any other members of the industry whenever they desired to see me.

We shall give further thought to Department's telegram, but I emphatically agree with Byrnes and Vinson in opposition to higher price. Also considerations mentioned in last paragraph of Department's telegram should measurably assist in reaching agreement at appropriate moment.

BRADEN

837.61351/1-1645

Memorandum by the Assistant Chief of the Division of Caribbean and Central American Affairs (Scherer)

[WASHINGTON,] January 16, 1945.

AMBASSADOR BRADEN: ⁴⁹

Mr. Sabin, DSC,⁵⁰ telephoned on January 15 mentioning that Dr. Walter Whitman, Chemicals Division of the War Production Board,

⁴⁶ José Manuel Casanova, President of the Cuban Sugar Stabilization Institute, a government entity that supervised the production and export of Cuban sugar.

⁴⁷ Arturo Mañas, member of the executive committee of the Cuban Sugar Stabilization Institute.

⁴⁸ The proposal referred to here was presented by the United States Sugar Commission to the Cuban Sugar Commission in a memorandum submitted on November 11, 1944 (not printed), while the commissions were meeting in Habana. Concerning this phase of negotiations, see telegram 884, November 14, 1944, to Habana, *Foreign Relations*, 1944, vol. VII, p. 951.

⁴⁹ Spruille Braden was in Washington for consultation from January 18 to January 28.

⁵⁰ Samuel H. Sabin of the Defense Supplies Corporation, an agency of the United States Government within the Department of Commerce.

had expressed concern over the continuing delay in the blackstrap molasses negotiation with Cuba. Dr. Whitman is apparently apprehensive lest Cuba again start making beverage alcohol of its blackstrap molasses.

Mr. Sabin stated that the cycle has been completed since the time in November Mr. Carl Gibboney⁵¹ told the Cubans we really did not need their molasses. Now again molasses is needed urgently for the rubber program; in fact it was almost decided to call off the second liquor holiday here, now in progress.

As I understand the situation, WPB⁵² prefers to buy molasses but will accept quantities of alcohol. It will be reluctant to pay 65¢ per gallon.

GEORGE F. SCHERER

837.61351/1-2345

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

[Extracts]

No. 8654

HABANA, January 23, 1945.

[Received January 26.]

SIR: Supplementing the Embassy's air mail despatch no. 5698 of January 14, 1944 (File 861.35)⁵³ and previous correspondence concerning the global insurance of the 1943 and 1944 Cuban sugar crops, I have the honor to enclose a copy and translation of Decree no. 59 of January 9, 1945, promulgated in *Official Gazette* no. 25 of January 11, 1945, authorizing the Minister of Agriculture jointly with the Sugar Institute⁵⁴ to contract for the global insurance of the 1945 sugar crop. As Decree no. 59 provides that all insurance companies authorized to operate in Cuba will be invited to participate in the contract, it appears that the monopoly held during 1943 and 1944 by Enrique Godoy of the insurance firm of Godoy-Sayan has been broken and that, therefore, there will be no repetition of the unethical practices which were employed by him to secure the contracts for those two years.⁵⁵

Decree no. 59 also provides that the 1945 premium rate must not exceed that of 1944 and contains the very constructive provision that

⁵¹ A representative of the Foreign Economic Administration in the sugar purchase negotiations of October and November 1944.

⁵² War Production Board.

⁵³ Not printed.

⁵⁴ The Cuban Sugar Stabilization Institute.

⁵⁵ For information concerning efforts made by the United States to eliminate unethical practices in the insurance of the 1943 and 1944 sugar crops, see *Foreign Relations*, 1943, vol. vi, pp. 185 ff.

the contract must be submitted to the Commodity Credit Corporation for its approval after the sale of the 1945 Cuban sugar crop has been made.

The Department will be kept informed of any further significant developments in connection with this matter.⁵⁶

Respectfully yours,

For the Chargé d'Affaires a.i.:

ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

837.61351/2-1045 : Telegram

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

HABANA, February 10, 1945—2 p. m.

[Received 9:30 p. m.]

89. Yesterday evening after my return ⁵⁷ I called on the President and told him I had found in Washington that the 3-cent sugar price was absolutely the highest we could pay. I added that if Cuba forthwith accepted this price and the Cuban Mission returned promptly to Washington for final negotiations, I felt they would be able to obtain the equivalent of free crops (including sale of blackstrap) for both 1945 and 1946 and even a mutually satisfactory agreement reached on volume of alcohol sale. I emphasized that speedy action by the Cubans was essential if they wished to seize this propitious moment. The President entirely agreed and forthwith summoned Dr. Seiglie to instruct him accordingly on the basis that "3 cents is the price". Dr. Seiglie later informed me that he would immediately meet with his fellow members on Cuban Mission and while he anticipated no difficulties with the hacendados ⁵⁸ he was not so sanguine about the colonos' ⁵⁹ willingness to go ahead until their acrimonious blackstrap dispute with the mill owners had been accommodated. Nevertheless, the President appeared more optimistic on this point and spoke of forcing the issue.

I also emphasized to both the President and Seiglie that sales to other countries should be strictly limited to 150,000 tons and local

⁵⁶ Despatch 8785, February 12, 1945, from Habana, reported that local agents of foreign insurance companies later informed the Embassy at Habana that the global insurance of the 1945 sugar crop was arranged to the satisfaction of all insurance companies operating in Cuba, other than those connected with the Godoy-Sayan firm (837.61351/2-1245).

⁵⁷ Ambassador Braden returned to Habana on February 9 after consultation in New York from January 28 to February 6.

⁵⁸ Sugar mill owners.

⁵⁹ Sugar cane planters.

consumption to 250,000 tons. Both said they were entirely in accord. I shall keep the Department currently informed of developments.

BRADEN

837.61351/2-1245 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Braden)

WASHINGTON, February 12, 1945—8 p. m.

95. Please advise Cuban Sugar Institute that FEA⁶⁰ has authorized DSC to accept blackstrap molasses from the 1945 crop through the eight designated ports providing it is understood that in no case will the price be higher than 13.6 cents per gallon at 52 percent total sugars content. Terms and arrangements otherwise as per 1944 contract. Cable reply.

GREW

837.61351/2-2045 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Braden)

WASHINGTON, February 20, 1945—8 p. m.

118. The Department has been asked by other agencies to ascertain your views concerning the following points and any others of interest related to the negotiations for sugar, molasses and alcohol:

1. Present effectiveness of, and future prospects for, Cuban price control for use in consideration of this Government's justification in undertaking price stabilization program proposed in U.S. memorandum of November 11 last year.⁶¹

2. Present attitude of Colonos toward United States proposal of November 11, as modified perhaps by agreement with Hacendados concerning molasses split.

3. Adequate realization by Cubans that 3.00 cents is top price.

GREW

837.61351/2-2145 : Telegram

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

HABANA, February 21, 1945—6 p. m.

[Received February 22—1:51 a. m.]

117. Following is in reply to questions raised Deptel 118 of February 20, 8 p. m.

⁶⁰ Foreign Economic Administration.

⁶¹ See footnote 48, p. 919.

1. Price control enforcement especially in Habana was very effective immediately after Grau's inauguration ⁶² and remained reasonably so until early February, but currently is deteriorating because of rising purchasing power during crop season and failure to provide ORPA ⁶³ with adequate personnel or organization to enforce price control measures throughout island (see also Embassy's monthly reports on price stabilization). The Government, however, continues to display an active interest in price control and has demonstrated good faith not only by waiving duties on imported eggs and canned milk but also by establishing direct subsidy on wheat flour (see Embassy's report No. 29 January 20, 1945 ⁶⁴). Principal danger is weak enforcement as ceiling price adjustments so far appeared justified by economic factors.

Future prospects without better organization are fair but not good. As we are committed to continue stabilization agreement in the event Cubans sign a sugar purchase contract at 3 cents with other terms satisfactory to United States, I suggest every effort be made to impress on Cuban Sugar Mission urgent need for effective price control organization to carry out a stabilization program. Meanwhile I will make a similar suggestion to Grau.

2. As participation in blackstrap proceeds was one of conditions made by Colonos meeting of November 28 (please see Embassy's airgram 2669, November 29, 10:30 a. m. ⁶⁴) for acceptance of proposed sugar contract, the satisfactory solution for them of this problem has doubtless made them more conciliatory. The negotiations should be further facilitated by our willingness to purchase 1946 molasses and a full 1946 crop. Colonos Association meeting scheduled for February 22 (see Embassy's despatch No. 8835, February 20 ⁶⁴) should furnish definite indication of their present views and will be reported by telegram.

3. Despite untimely press reports with Washington dateline (see despatch 8835) that a higher price may be possible, all interested parties here, including President, Hacendados, and Colonos, are now convinced that 3 cents is tops.

BRADEN

⁶² Grau San Martín was inaugurated on October 10, 1944.

⁶³ Oficina de Regulación de Precios y Abastacimientos (Cuba's Office of Price Regulation and Supply).

⁶⁴ Not printed.

837.61351/2-2845

*Memorandum of Conversation, by the Assistant Chief of the Division
of Caribbean and Central American Affairs (Scherer)*

[WASHINGTON,] February 28, 1945.

Participants:

CUBAN DELEGATION

Oscar Seiglie
Teodoro Santiesteban
Amado Aréchaga

UNITED STATES DELEGATION

Commodity Credit Corporation

Earl B. Wilson
James Marshall
Russell Burchard

War Food Administration

Joshua Bernhardt
Gustave Burmeister
Charles W. Fowler

Defense Supplies Corporation

Samuel H. Sabin

Foreign Economic Administration

Carl Gibboney
Oregon B. Helfrich
Clarence Blau

Department of State

Colonel Everett Cook ⁶⁶
George F. Scherer

The discussions in connection with Cuban sugar were resumed on February 28 with only a limited attendance by the Cubans. Other members of the delegation are to arrive within a few days, and the next meeting is scheduled for sometime Monday, March 5. The following three main topics were discussed.

PRICE

Mr. Wilson touched lightly on the Hacendados resolution of last August ⁶⁷ and Dr. Seiglie stated the resolution is no handicap to the commission, both the Hacendado and Colono members being prepared

⁶⁶ Adviser, War Supply and Resources Division.

⁶⁷ This resolution, not printed, authorized Cuban acceptance of 3.25 cents per pound of sugar, or higher.

to proceed with negotiations⁶⁸ and resume responsibility for clearance. Dr. Seiglie indicated that a price of 3.00 per pound was generally accepted in Cuba. He added that at first this appeared to be a "fair price" but with the short 1945 crop, caused by extreme drought conditions and higher costs it was definitely not favorable. The Cubans had, however, been glad to show their cooperation by negotiating at that price.

POSSIBLE THREE CROP PURCHASE

Dr. Seiglie indicated a strong sentiment in Cuba for the purchase of three crops instead of two, particularly in view of the small present crop and the possibility that 1946 will not be much better.

Mr. Wilson stated that this Government is deeply appreciative of the fact that 1945 Cuban sugar is being shipped although no contract has been signed. With regard to a purchase covering the 1945, 1946, and 1947 crops, Mr. Wilson stated that the Sugar Act of 1937,⁶⁹ as amended,⁷⁰ will expire at the end of 1946 and there is no indication of what Congress will do. Furthermore, it is the express policy of this Government to terminate its global purchase programs as soon as possible. Colonel Cook stressed the point that the State Department is making strong efforts to return international trade to normal conditions. The United States negotiations would be subject to severe criticism on all sides if a purchase of that length were made, as it would be contrary to our basic policy.

Dr. Seiglie then suggested that the United States Government purchase two crops outright and take an option on the 1947 crop, with the understanding that it would be bought if necessary, and, if not, this Government would agree to the removal of ceiling prices. No encouragement was given to this suggestion or to any proposal for the third year.

PUERTO RICAN DIFFICULTIES

Dr. Seiglie mentioned that Cuba is watching the sugar situation in Puerto Rico with great interest. While the Cuban commission understands the United States Commission's position on not tying Cuban treatment up with Puerto Rican, it would be difficult for Cuba to understand the granting of any preferred treatment to Puerto Rico as workers there have struck and held up production. Mr.

⁶⁸ For information concerning the breakdown of negotiations in November 1944, see telegram 884, November 14, 1944, to Havana, *Foreign Relations*, 1944, vol. VII, p. 951.

⁶⁹ 50 Stat. 903.

⁷⁰ 54 Stat. 1178; 55 Stat. 872; 58 Stat. 283.

Wilson indicated that, of course, Cuba would receive a fair deal in connection with its sale of sugar to the United States.

STABILIZATION

Mr. Wilson suggested that there may be difficulties in connection with the second year of a possible stabilization program. He asked if the Cuban Commission were ready to have technical experts proceed from Cuba to confer with War Food Administration representatives in reaching a detailed and definitive agreement. Dr. Seiglie said that he plans to have someone come north at the end of next week on stabilization and probably others for alcohol discussions as well. Dr. Seiglie mentioned in passing that Cuba wants to sell all the alcohol it can, and Mr. Gibboney said that this country wishes to receive maximum quantities of molasses.

837.61351/3-1245 : Telegram

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

WASHINGTON, March 14, 1945—4 p. m.

154. Reurtel 172 of March 12.⁷¹ Negotiations with Cuban Sugar Commission indicate that it will be necessary to purchase one crop (the Cubans have refused to sell two) at 3.10. This position which is being presented today to the Cubans has been reached with great reluctance by this Government in view of the history of the negotiations to date.

The War Food Administrator is especially disturbed at the failure of the 3 cent Gentlemen's Agreement of last October⁷² to bring about a prompt settlement which would have received recognition as further evidence of Cuba's cooperative attitude in the war. It is understood that your efforts to obtain 3.05 out of fairness to the Cubans were supported by the situation as it has developed in Puerto Rico. The increase in price from 3.05 to 3.10 has been made necessary by the adamant position of the Cuban Commission, which did not appear to correspond with views you have received recently.

We regard the increase from 3.05 to 3.10 as having definitely severed the relationship between Cuban and Puerto Rican prices and as having brought into serious question the desirability of agreeing to a stabilization program for 1946 even though the sugar crop of that year might be purchased. In view of the critical need of sugar for

⁷¹ Not printed.

⁷² An agreement between Braden and Grau San Martín, not printed. For substance of agreement, see despatch 9136, April 9, from Habana, p. 928.

the war effort and of the increasingly unsatisfactory supply situation, the position of the Cuban Commission has left us no alternative but to accede to their demands.

STETTINIUS

837.61351/3-1645 : Telegram

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

WASHINGTON, March 16, 1945—11 a. m.

161. Sugar discussions with Cubans on March 14 resulted in agreement for 70 million gallons of blackstrap molasses at 13.6 cents a gallon plus substantial quantities of industrial alcohol at 65 cents, the details of which will be made available to the Embassy.

CCC⁷³ then reviewed certain unsettled topics concerning sugar; the amount of export sugar and local consumption sugar, licensing of candy shipments (no decision reached in this connection), escalator clause on the cost of living, stevedoring costs.

In connection with stevedoring CCC is most reluctant to assume the burden of the higher freight rates caused by recent increases in wages to port workers. It is also disinclined to agree to an exchange of notes. However, the Cubans are insistent on these points and discussions have been recessed until March 19 or 20 to permit each commission to review this item. Your views would be appreciated.

Discussions on stabilization were initiated on March 15 with the Cuban technical experts although no progress was made since the Cubans were more eager to discuss the need for higher allocations than the details of a stabilization agreement.

STETTINIUS

837.61351/3-1745 : Telegram

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

HABANA, March 17, 1945—8 a.m.

[Received 1:41 p. m.]

185. The following comments are submitted in reply to the Department's 161 of March 16, 11 a. m.

1. With industrial alcohol at 65 cents per gallon it is more profitable for sugar mills operating distilleries as adjuncts there to [to] manufacture alcohol instead of sugar. It is assumed therefore that consideration has been given to the establishment of safeguards against

⁷³ Commodity Credit Corporation.

the possible diversion by such mills of cane juice or even sugar to the production of alcohol.

2. When the amount of "free" and local consumption sugars has been definitely agreed upon it should be driven home to the Cubans that under no circumstance will these amounts be increased and that any exports of products containing sugar will have to be made against these quotas.

3. With regard to stevedore rates the Embassy feels it is entirely too late to avoid assuming the burden of the recent increase of port workers wages officially ordered by the Cuban Government in their decree No. 431 effective February 14. On the other hand, the United States Government which today pays approximately 90% of these charges should not be exposed to the possibility of having to assume the cost of further unilateral increases. At the same time, with the present delicate labor situation in Cuba it is altogether too dangerous for the United States Government to be placed in the position of being responsible in the eyes of labor for freezing wages paid to Cuban workers. Therefore there should be no notes exchanged prohibiting wage increases but it should be definitely stipulated in the contract or otherwise that any increases subsequent to Decree 431 will be for the sellers account.

MUCCIO

837.61351/4-945

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

No. 9136

HABANA, April 9, 1945.

[Received April 13.]

SIR: I have the honor to refer to the Department's telegram no. 154 of March 14, 4 p. m., regarding the negotiations for the sale of the 1945 Cuban sugar crop and specifically to the first sentence of the second paragraph thereof in which it was stated that "the failure of the 3-cent gentlemen's agreement of last October to effect a prompt settlement" was especially disturbing to the WFA.⁷⁴ As this statement indicates that the impression may exist in Washington that President Grau failed to live up to his commitment to me in the premises, I feel that the following comments are in order so that the Department may be fully informed in the event this question should be raised at some future date by any of the other interested agencies of our Government:

⁷⁴ War Food Administration.

Grau's commitment of last October was that we would get Cuba's 1945 crop sugar. While he stated that 3 cents was acceptable to him, he did not at any time indicate that he would not prefer a higher price, and it will be recalled that he subsequently requested my assistance in obtaining at least 3.05 cents and that this request was transmitted to Washington (please see my telegram no. 1097 of December 30, 1944, 7 p. m.⁷⁵).

When the 1945 crop began, the President did fulfill his promise that we would get the sugar and the sugar started flowing to the United States at once on a provisional 3-cent basis. Had we been adamant in refusing to consider any price higher than 3 cents, I feel confident that we would have eventually reached an agreement at that figure and that, if necessary, the President himself would have instructed the Cuban negotiators to accept the 3-cent price. It was, perhaps, too much to expect that he would force the issue so long as there was any possibility of obtaining a higher price and, as a matter of fact, it would have been imprudent for him to do so in view of the political inexpediency of such a move. The sale of the sugar crop has been a red hot political question each year since 1942, and for Grau to have forced the sale at 3 cents would have greatly weakened his political position in an already difficult general situation.

It was the decision of our commission in Washington (a decision which had my full and unqualified approval) that the Puerto Rican strike had forced our hand and that a prompt agreement with Cuba was therefore essential. The result was their offer of 3.05 for 1945 and 3.10 for two years and even though the members of the Cuban mission had not been quite so avaricious, it was perhaps only natural for them to counter with an offer of 3.10 for one year.

It should be observed, however, that up to the afternoon of March 12, when the decision to increase our price because of the Puerto Rican situation was telephoned to me, the 3 cent price had been accepted—**grudgingly**, but accepted—by the industry in Cuba as final and our ethical and highly proper procedure in voluntarily raising the price was regarded as manna from heaven.

In short, President Grau throughout the entire negotiations lived up to the spirit of the gentlemen's agreement of last October and if at any time it had come to a showdown he would have seen to it that we got the crop at 3 cents. Moreover, this was clearly evidenced by his instructions early in January to arrange for the free flow of sugars to the United States despite the fact that the negotiations for the sale of the crop had not been concluded.

Respectfully yours,

SPRUILLE BRADEN

⁷⁵ Not printed.

[Contracts for the purchase of sugar, blackstrap molasses, and ethyl alcohol from the 1945 Cuban sugar crop were signed in Habana on April 26, 1945 (none printed), by Ambassador Spruille Braden, representing the Commodity Credit Corporation, and by Prime Minister of Government Félix Lancis, President of the Cuban Sugar Mission Oscar Seiglie, President of the Sugar Stabilization Institute José Manuel Casanova, and Member of the General Board of the Institute Teodoro Santiesteban, all representing the Cuban Sugar Stabilization Institute.

The sugar contract provided for the sale to the Commodity Credit Corporation of the entire 1945 Cuban sugar crop in the form of raw sugar, less 250,000 long tons for Cuban consumption and 150,000 (or less) long tons which Cuba might sell to countries other than the United States. The basic minimum price was set at 3.10 cents, United States currency, per pound.

The blackstrap molasses contract provided for the sale to the Defense Supplies Corporation of at least 70,000,000 gallons of blackstrap molasses at a basic minimum price of 2.50 cents, United States currency, per English pound of total sugars content, the equivalent of 13.6 cents per gallon.

The ethyl alcohol contract provided for the sale to the Defense Supplies Corporation of a minimum of 20,500,000 wine gallons of 190 percent proof, or equivalent, industrial alcohol produced from molasses not sold under the above-mentioned blackstrap molasses contract, plus an additional quantity dependent upon various factors itemized in the contract, at a price of 65 cents, United States currency, per gallon of 190 percent proof alcohol or higher, and lower prices for alcohol of poorer quality.

Three notes on matters related to the above contracts, and their replies, were exchanged during the ceremony in which the contracts were signed (none printed).

Embassy note No. 294 and Cuban Foreign Office note No. 731 formalized an agreement on price stabilization in Cuba.

Embassy note No. 295 and Foreign Office note No. 732 concerned 1) the application of existing sugar legislation in Cuba to the 1945 crop, 2) the continuance of past procedures of handling and loading sugar on vessels in Cuban ports, and 3) the continued application of reduced freight rates covering the shipment of sugar to other than normal Cuban ports.

Embassy note No. 296 and Foreign Office note No. 733 provided for the distribution, for the benefit of Cuba, of any net profit that might result from the United States purchase of the 1943, 1944, and 1945 Cuban sugar crops.]

837.5017/5-1545

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

No. 9343

HABANA, May 15, 1945.

[Received May 18.]

Subject: Deterioration of Cuban Price Control

SIR: I have the honor to refer to the Embassy's despatch no. 9241. April 27, 1945, transmitting *inter alia* copies of the Embassy's note no. 294 and the Cuban Government's note no. 731 (both dated April 26, 1945) with respect to price stabilization undertakings.⁷⁷

In return for United States assurances of stable prices in selling rice, wheat flour, and lard, the Cuban Government undertook "to maintain and effectively to enforce in Cuba the wholesale and retail ceiling prices not only for these three commodities, but also for edible oils, meat, beans, charcoal, and alcohol".

The Cuban Government is fulfilling, and apparently will continue to fulfill, the above undertaking with respect to maintenance of ceiling prices. It is not, however, effectively enforcing its ceiling prices, and there is little prospect that the agreement will be fulfilled in this regard.

The Office of Price Regulation and Supply as presently constituted is a branch of the Ministry of Commerce. Policy and procedure for price control are formulated directly and personally by the Minister of Commerce, Dr. Alberto Inocente Alvarez.

The present director of the ORPA, Dr. Leonardo Cano, regards his duties as being solely administrative and concerned principally with distribution of tires, fuels, and nominal supervision of the price structure. Determination of ceiling prices, when not undertaken directly by the Minister of Commerce, is directed by the ORPA Sub-Director, Manuel San Martin. The latter displays a vigorous interest in the academic problems of equitable price determination, but apparently is little disturbed over the failure of the Cuban Government to provide means of enforcement for established ceiling prices.

At the retail level, enforcement of ceiling prices ceased quite generally in early March. During April, enforcement practically ceased for wholesalers. Violation now is general both in Habana and throughout the island, and the cost of foodstuffs has risen sharply (see Embassy's report no. 170, April 19, 1945⁷⁸ titled "Cuban Price Stabilization for Basic Foodstuffs" and other reports in the same series.)

⁷⁷ None printed.

⁷⁸ Not printed.

It will be recalled in this connection that last October the ORPA embarked on a vigorous and successful drive for enforcement of ceiling prices, fulfilling President Grau's campaign pledge to this effect. This drive began to lag in January, when food prices came under severe pressure because of drought and reduced supplies of meat and livestock products. Deterioration since then has been rapid.

Aside from the extraordinary pressure on prices and the Government's reluctance to face the difficult problems of control, specific causes of deterioration can be enumerated as follows: (1) failure to provide adequate funds for extension of ORPA representation throughout the island, (2) failure to provide skilled personnel within the ORPA, (3) reluctance of courts to convict the relatively few violators against whom charges are made, and (4) denial of autonomy to the ORPA which is under direct administration by the Minister of Commerce, who, although displaying excellent intentions, is so busily occupied on other problems that price control activities are neglected.

During recent weeks the Embassy has discussed with ORPA officials and with the Minister of Commerce the deterioration in enforcement of price control, with particular reference to Cuba's undertaking in the price stabilization agreement. The ORPA officials disclaim responsibility on grounds that the Government has not provided the necessary authority, funds, or personnel for effective work. The Minister of Commerce stated his belief that control can be reestablished through more drastic penalties, and has prepared a decree for promulgation under which Government "interventors" can be placed in commercial or industrial establishments to supervise operations, at the expense of the business, by direction of the Minister of Commerce. (This decree of course will be transmitted when promulgated.)

The Embassy does not expect substantial improvement in the price control situation as a result of Government action; for example, the drastic penalties which could be inflicted by "interventors" would attack only the deficiency of present court action in convicting violators, and would leave untouched the more basic aspects of the problem. Some improvement in the situation, however, may occur in late summer as a result of seasonally larger food supplies, which normally relieve pressure on prices at that time.

Although the situation described herein represents a failure of the Cuban Government to fill an obligation, the Embassy recommends that for the time being our Government continue to fulfill its commitments in so far as possible with respect to the supply of rice, wheat flour, and lard. This will have a noticeable retarding effect on the general advance of food costs in Cuba and will facilitate any renewed efforts to reestablish price stabilization on the part of the Cuban Government.

The Embassy recommends also, if the Department perceives no objection, that forceful representations be made to the Cuban Ambassador concerning the urgent desirability of improved Cuban price control measures in view of the joint undertaking with respect to stabilization of price and supply.

Respectfully yours,

For the Chargé d'Affaires ad interim :

ALBERT F. NUFER

*Counselor of Embassy
for Economic Affairs*

837.61351/6-545 : Telegram

The Chargé in Cuba (Wright) ⁷⁹ to the Secretary of State

HABANA, June 5, 1945—noon.

[Received 2:21 p. m.]

383. ReDeptel 351, June 4, 5 p. m.⁸⁰ Casanova and Mañas called this morning at their request "to discuss procedural matters" and were rec'd by me with Nufer, Minneman, and Norregaard present.

We agreed that for tactical reasons when Wilson and Rowe arrived here we not let it be known that they plan to negotiate for the 1946 crop but rather inform inquirers that they have come to study on the ground the Cuban sugar situation in order that they may be better in a position to evaluate the world picture. The Cuban group will upon inquiry make similar statements and if after a few days of discussions it seems likely that the negotiations will be successful each Government will then announce that following technical discussions the identical groups have been appointed by their respective Govts to negotiate for the crop. The Cuban group will at least in the beginning not call themselves delegates but rather advisers to the Cuban Govt. In this way we can proceed with much more freedom of action and better avoid permanent harm if the negotiations break down which is of course a distinct possibility. The Cubans feel that they have us in a position favorable to themselves and will unmistakably trade hard. They maintain that they do not know what sugar they will have to sell next year owing to the fact that rains have been so much delayed and crop conditions are so uncertain. It would be most unfortunate to have now a formal negotiation which would be

⁷⁹ James H. Wright assumed charge on May 19, succeeding John J. Muccio.

⁸⁰ Not printed; in this telegram the Department indicated that the U.S. group selected for the forthcoming sugar discussions consisted of Messrs. Wright, Nufer, Agricultural Attaché at Habana Paul Minneman, Norregaard, Wilson, and Harold Rowe of the Foreign Economic Administration (837.61351/6-145).

The Cuban group consisted of Messrs. Casanova, Mañas, Seiglie, Aréchaga, and Germán Alvarez Fuentes, Cuban Minister of Agriculture.

branded as a failure and then have to negotiate again later on. If we can keep it on a study basis until we see where we are we will be much better off.

WRIGHT

837.61351/6-1545 : Telegram

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

HABANA, June 15, 1945—4 p. m.

[Received June 16—9:35 a. m.]

403. At meeting today definite proposal was presented to Cubans along following lines: Purchase entire 1946 sugar crop except 250,000 short tons for local consumption and 50,000 short tons for sales to other countries at 3.45 equivalent to new Puerto Rican price less duty and sugar act payment. It was made clear contract could contain no mention of Puerto Rico. Cuba would also get benefit on unimported balance if duty should be reduced pursuant to subsequent legislation. Price stabilization same as 1945 contract but without special subsidy on wheat flour. If Cubans accept sugar offer, we would continue alcohol and molasses purchase on same general lines as 1945.

Cubans now considering proposal. Next meeting Monday. Details by air. Inform Parisius⁸¹ FEA and CCC.

WRIGHT

837.5017/5-1545

The Acting Secretary of State to the Chargé in Cuba (Wright)

[Extracts]

No. 5266

WASHINGTON, June 16, 1945.

SIR: The Department has read with care and with concern, the Embassy's confidential despatch no. 9343 of May 15, 1945, entitled "Deterioration of Cuban Price Control".

The recommendations of the Embassy regarding this subject have been noted, particularly the observation that for the present the Government of the United States should continue to fulfill its commitment in so far as possible with respect to the supplying of rice, lard and wheat flour to Cuba. It is believed that the various agencies of the United States Government that are involved in the supplying of those products have discharged their functions quite satisfactorily in

⁸¹ Herbert W. Parisius, Director of the Office of Food Programs, Foreign Economic Administration.

accord with the letter and the spirit of the notes exchanged between your Embassy and the Cuban Foreign Office on April 26, 1945 (see Embassy's despatch no. 9241 of April 27, 1945).⁸² There may have been occasions on which the acceptances of orders and the making of deliveries by private firms have not in every respect lived up to the expectations of the Cuban business interests involved, or to the complete satisfaction of the Cuban Government. Thus far, however, no instance has come to the attention of the Department where there has been any failure of the United States Government agencies to fulfill loyally their obligations under the commitments mentioned.

The Department is also interested in the second recommendation advanced in despatch no. 9343, i.e., that representation be made to the Cuban Embassy in Washington to the effect that there should be a more effective enforcement of the Cuban Government's price control measure. It is believed that because of the absence from Washington of the Cuban Ambassador, and due to the fact that a discussion of this subject in any event could more appropriately and with greater effectiveness be conducted at Habana, it would be desirable for such conversations to be held as soon as convenient with the appropriate officials of the Cuban Government. You are authorized to initiate such discussions at your earliest opportunity.

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You are requested to keep the Department fully informed of the results of the conversations and of any significant developments regarding Cuban commodity prices.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

837.61351/6-2245 : Telegram

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

HABANA, June 22, 1945—7 p. m.

[Received 8:50 p. m.]

424. This morning at final meeting with Cuban Sugar Commission,⁸³ they stated that because of 1946 crop uncertainty and our offer for only one crop, they could not get industry's support to continue negotiations until October. They, however, repeatedly assured that U.S. would get Cuba's 1946 production.

⁸² Notes and covering despatch 9241 not printed. For information concerning these notes, see bracketed note, p. 930.

⁸³ Meetings of the United States and Cuban Commissions began in Habana on June 10.

A joint press release was issued stating our offer to purchase one crop at 3.45 and that discussions would be resumed with Cubans before October 15.

Wilson and Rowe left for Washington this afternoon.

WRIGHT

837.5017/6-2745

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

No. 9558

HABANA, June 27, 1945.

SIR: With reference to the Department's confidential instruction No. 5266, June 16, 1945, expressing concern with respect to the deterioration of Cuban price control, I have the honor to comment on further developments of interest in this connection.

The Embassy has discussed frequently with appropriate Cuban officials the non-enforcement in general of ceiling prices. The attitude of the Cubans is that the difficulties of general enforcement, especially at the retail level, are insuperable because of the existing food shortages, and that their efforts to assist consumers will produce more results if concentrated on the controlled distribution of a few essential commodities. It appears that our repeated comments concerning the desirability of effective general price control, through establishment of a strong and adequate Office of Price Regulation and Supply, have little influence in modifying this prevailing attitude. Emergency measures for distribution of key commodities appear to the Cubans not only as being more simple economically, but also as being more adaptable for purposes of political propaganda.

The emergency measures, for which the Government obviously merits some credit, have included so far the distribution in Habana of beef, soap, canned milk, and lard. Such distribution is made under police supervision at certain central points located mostly in the congested areas of the poorer classes. The Government assists by helping to obtain the supply of goods, and by providing police to prevent disorders and to enforce sale at ceiling prices. Such distribution covers only a few articles, and is available only to a minor portion of Cuba's population, but it alleviates considerably the problems of supply and price for the particular population segments hurt most seriously by the rising cost of living.

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The Embassy considers these measures to be weak as a matter of policy in that the inflationary price problem is relieved only for a relatively small segment of the population, aside from the fact that

considerable inconvenience is suffered by purchasers waiting in the lines at distribution points. Nevertheless, it has tended to abate the public clamor against food shortages and high prices, and the Government apparently has every intention of continuing these measures.

In general, the intent of the Government appears good, but its policy and organization definitely is inadequate for dealing with the existing situation. On the other hand, the problems of price control have been exceptionally difficult because of the hurricane last October, the subsequent drought, and the increasing world shortages of foodstuffs, explaining to some extent the failure of the Grau administration to act effectively in accordance with its good intentions.

Under such circumstances, it is unlikely that any change in policy will soon occur, but nevertheless the Embassy will submit a note to the Foreign Office again pointing out the Cuban Government's failure effectively to enforce ceiling prices in accordance with the stabilization agreement, embodying the suggestions contained in the Department's instruction under reference. Also, when mutual price stabilization undertakings again are discussed in forthcoming sugar negotiations, it may be advantageous for us at that time again to point out the lack of enforcement and to request from the Cuban Government a statement of its general price policy, in order that further confusion may not exist as to the scope and intent of Cuban undertakings in respect to enforcement of ceiling prices.

Respectfully yours,

For the Chargé d'Affaires ad interim:

ALBERT F. NUFER

*Counselor of Embassy
for Economic Affairs*

837.61351/8-2345

The Ambassador in Cuba (Norweb) ⁸⁴ to the Secretary of State

No. 134

HABANA, August 23, 1945.

[Received August 29.]

SIR: As the cessation of hostilities in the Pacific has either brought about or will bring about many new factors in connection with the Cuban-American sugar negotiations, I have the honor to submit the following comments with regard thereto.

The war terminated from six months to a year sooner than most people, including the Cuban sugar producers, thought would be the case, and the time when sugar production should again be equal to

⁸⁴ R. Henry Norweb presented his credentials as Ambassador to Cuba on July 24, 1945.

or in excess of the world demand is therefore much nearer than they had expected. The intelligent elements in the sugar industry are consequently more and more interested in long-range stability rather than in transitory price considerations and will doubtless make every effort to obtain some assurance (of a more definite nature than that contained in the notes exchanged at the time the Supplementary Trade Agreement of December 23, 1941 was signed)⁸⁵ regarding the future position of Cuban sugar in the United States market. It is doubtful that they will be satisfied with a continuation of the status which Cuba has been enjoying under the Sugar Act of 1937 and it is probable that, in order further to improve their position, they will hold up to us in no uncertain terms the cooperation they gave us in sugar matters during the war.

The farsighted elements in Cuba are all the more impressed with the need for security rather than passing price considerations as they realize full well that if sugar prices continue to rise, production in other areas now producing sugar on a small or medium scale will be further stimulated, thereby aggravating the problem with which they will be confronted when the time of reckoning comes. They therefore will likely be glad to accept a price equal to that paid Puerto Rico (less, of course, the United States import duty and the benefit payments under the Sugar Act), in accordance with the offer we made them in June, provided, however, we agree to purchase three crops and are able to give them some assurance as to Cuba's longer-term position in the United States market.

On the other hand, there are some who will be vociferous in demanding that sugar be restored to a free-market basis and that sugar prices be permitted to seek their own level. The more experienced sugar men will doubtless realize how shortsighted such a move would be, but it is nevertheless conceivable that we might be faced with that possibility if we adopt what the Cubans consider an inflexible attitude during the negotiations, however sound we may think our position to be. Should such an eventuality come to pass, the immediate result would be a skyrocketing of sugar prices to possibly several times their present level. The effects of this would be deplorable from the viewpoint of our efforts to hold the line on prices in the United States, and the necessarily brief ensuing "Dance of the Millions" would eventually be followed by the same bitter aftermath

⁸⁵ For text of this second supplementary agreement and exchange of notes between the United States and Cuba respecting reciprocal trade, see Department of State Executive Agreement Series No. 229, or 55 Stat. (pt. 2) 1449. For related documentation, see *Foreign Relations*, 1941, vol. VII, pp. 196 ff.

which Cuba experienced upon the termination of the First World War.

While, from a theoretical point of view, the United States' trading position should be improved by the cessation of hostilities, this is in fact not true, owing to pragmatic considerations. We still need sugar desperately and it appears to be a vain hope to expect much relief during 1946 and possibly during a part of 1947 from any source other than Cuba. Our practical position, moreover, has been weakened in that we can no longer hold up to Cuba, as we have in the past, the necessity of doing this or that as a contribution to the mutual war effort. The Cubans are, of course, fully aware of this and they have seen us remove all sorts of controls at home. Moreover, even though the Cubans assured us last June that we would get their sugar "regardless", they might now hold that this offer was based only on the war emergency and that they are therefore no longer bound by it.

The most important consideration, however, is a political one. Cuba, so to speak, is still our problem. We have responsibilities here which we cannot and should not avoid. We must still view the sugar negotiations in the proper political perspective. A great deal can be done with the Cubans by suasion. They reserve to themselves (in their peculiar psychology which is seasoned with the unique character of Cuban post-independence history) the right to become very annoyed with the United States, but do not grant us the same privilege. If we could deal with Cuba on this sugar matter as we would with a more distant and less closely associated country, or if we could deal with it as we would with a domestic problem, the solution would be infinitely easier. It is manifest, however, that this is impossible. Thus, one of the greatest weaknesses in our trading position springs from political considerations.

In summary, while there are some factors which might lead one to believe that the cessation of hostilities has strengthened our trading position, there remain most of the basic practical factors which existed during the war, plus certain new factors which actually strengthen the Cuban position. The Embassy is sanguine, however, that by careful, frank and friendly discussion the problem can be ironed out equitably in a spirit of mutual trust and confidence. Nevertheless, unless we play our cards carefully, a most disorderly negotiation is likely to result, to the detriment of all concerned.

It is extremely difficult, under the circumstances, to make any definite recommendations. Cuba, as previously mentioned, wants above all long-range security for its sugar in the United States, and the minimum for which it would probably settle with any good grace is

the sale of three crops. Anything less favorable from Cuba's point of view might not be acceptable and should negotiations be broken off a chaotic world market for the next year or two would result, probably followed by a difficult political and economic situation for Cuba once the boom has spent itself. Therefore, before resuming negotiations and in order to facilitate their successful conclusion, every effort should be made to obtain the authority necessary to give Cuba the desired assurances regarding its future position in the United States sugar market or to purchase several crops at the Puerto Rican price. Moreover, negotiations should not be resumed until the Puerto Rican price question has been definitely settled.

The negotiations would be further facilitated if they are conducted in Washington and if the amounts of domestic consumption and free sugars reserved to Cuba could be made as liberal as possible. This is a very important consideration. It would make the Cubans more inclined to accept a reasonable price for the sugar sold to us and would have the added advantage of enabling Cuba to supply larger quantities of sugar to the other countries of the Western Hemisphere and thereby discourage increased production in marginal and sub-marginal areas. We must take into account the sugar needs of Cuba's American Republic neighbors.

Respectfully yours,

R. HENRY NORWEB

837.5017/10-1145 : Airgram

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

HABANA, October 11, 1945.

[Received October 15—6 p. m.]

A-1944. Embassy desires to submit following comments with respect to Cuban price stabilization activities, in case Cuban delegation in 1946-crop sugar negotiations asks for re-establishment of price stabilization concessions for shipments of United States rice, wheat flour, and lard:

(1) Cuban Office of Price Regulation and Supply at present is not enforcing effectively any ceiling prices for foodstuffs. Its activities have a restraining influence on inflationary price advances only insofar as a few large wholesalers, mainly affiliates of United States companies, observe ceiling prices because they would be vulnerable to discriminatory attack if they participated in the general non-compliance.

(2) The ORPA because of internal dissension and public indifference is growing progressively weaker and prospects are negligible for its rehabilitation. Price ceilings for most foodstuffs probably

will be continued in 1946 only as a matter of general policy with little actual enforcement if faced with inflationary pressure.

(3) Any price concessions on our part, such as another special subsidy on wheat flour, will have negligible effect on the Cuban Government's price policy or on the trend in cost of living.

It appears desirable therefore to omit price stabilization concessions in negotiating for the 1946 sugar crop. Presumably the above factors are supplemented also by changes in United States stabilization policies as a result of the war's end.

NORWEB

837.61351/10-1245

*Memorandum of Conversation, by Mrs. Jean H. Mulliken of the
Commodities Division*

[WASHINGTON,] October 12, 1945.

Participants: H. G. Smith, CP ⁸⁶

Willard Barber, CCA ⁸⁷

E. G. Cale, F. A. Linville,⁸⁸ Jean Mulliken, CD

Mr. Linville stated that he had called the meeting in order to inform himself regarding the views of the interested divisions of the Department with respect to proposals which would be advanced by the Department of Agriculture in the forthcoming sugar negotiations. These proposals are, briefly:

1. A one-year purchase, 1946 crop only.
2. Price not to exceed \$3.67 per cwt.⁸⁹ (the equivalent of the price to be paid for the 1946 Puerto Rican sugar crop).
3. No guarantee of fixed export prices on foodstuffs shipped to Cuba, and no commitment on the part of this Government to supply Cuba with rice, lard or wheat flour.
4. U. S. to purchase 1946 blackstrap molasses, but to make no offer for Cuban alcohol.
5. Permit retention by Cuba of 250,000 tons of sugar for domestic consumption.
6. Retention by Cuba of 50,000 tons of sugar for export.
7. Elimination of escalator clause.

The consensus of the meeting was that the Department's position on the above points should be as follows:

1. A one-year contract, while advantageous to the U. S. Government for political reasons, offers Cuba no assurance regarding her future

⁸⁶ Division of Commercial Policy.

⁸⁷ Division of Caribbean and Central American Affairs.

⁸⁸ Francis A. Linville, Acting Assistant Chief of the Commodities Division (CD).

⁸⁹ Price of 3.67 cents per pound.

in the U. S. market, and may be unacceptable for that reason. Cuba is in a better position to obtain concessions in this market at the present time than she is likely to be again, and the Department should make no effort to influence her to sign a one-year contract unless the Department of Agriculture will agree to a commitment on the part of the executive branch of the Government that, if the quota system is continued, it will support legislation to give Cuba an increased share of the U. S. market, on a proportional as well as on an absolute basis.

2. The Department of Agriculture committed itself during the June negotiations to giving Cuba the equivalent of the Puerto Rican price. This should be both the initial and the final offer. If Cuba should receive a higher price than Puerto Rico there would be pressure for an increase in the Puerto Rican price; on the other hand, any effort to have the price below 3.67 might be to our ultimate disadvantage in loss of good will.

3. Since the purchase price is being materially increased, this Government is under no further obligation to guarantee a fixed price on foodstuffs shipped to Cuba.

As long as our domestic prices are controlled, Cuba is protected, since export prices are tied to domestic price ceilings. If the Emergency Price Control Act⁸⁹ should not be extended after next June, a commitment on the part of this Government to maintain fixed prices on exports to Cuba might: (1) involve heavy expenditures by the CCC, and would (2) constitute preferential treatment of Cuba.

As regards our previous commitments to provide Cuba with specified quantities of rice, lard and wheat flour, this, too, amounts to preferential treatment and should be discontinued. This will entail no great hardship to Cuba, since the supply situation should improve rapidly after the first quarter of 1946.

4. The Department should not press for government purchase of alcohol.

Molasses and alcohol prices (if any is bought) should not exceed last year's figure and should probably be reduced, since the supply situation has eased for both commodities. No subsidy is being paid on domestically produced alcohol and supplies are adequate at the ceiling price, which is appreciably below the price paid for Cuban alcohol this year.

5. While 250,000 tons of sugar for domestic consumption is generous it is probably not feasible to attempt to reduce it, since the excess over household consumption has been the basis of an expanding and highly lucrative confectionery industry.

6. Cuba's exports of sugar to the other American Republics during the years 1935-1941 averaged 26,000 long tons and never exceeded 73,000 tons. Nevertheless, Cuba will undoubtedly ask for at least 150,000 tons of sugar for export. As a compromise between the Cuban position and that of the Department of Agriculture the Department might suggest that 100,000 tons be earmarked by the CCC for sale to

⁸⁹ For text of this Act of January 30, 1942, see 56 Stat. 23. For amendments extending the application of this Act from June 30, 1943, to June 30, 1946, see 56 Stat. 767 and 59 Stat. 306.

deficit areas in this hemisphere if they are unable to procure their requirements elsewhere at a reasonable price.

7. The escalator clause should be abandoned, since it might result in payment of a higher price to Cuba than to Puerto Rico.

Mr. Barber pointed out that, in view of the numerous changes in the situation affecting the June offer, it would be advisable, as an initial step, either to obtain from the Cubans a refusal of the initial offer or to have it clearly understood that it was withdrawn in toto, and that the second offer at a higher price replaced it. It was the consensus that this procedure should be followed.

837.61351/10-1745

*Memorandum of Conversation, by the First Secretary of Embassy in the Dominican Republic (Scherer), Temporarily in Washington*⁹⁰

[WASHINGTON,] October 17, 1945.

[Participants:]

CUBAN DELEGATION
 Dr. Oscar Seiglie, Chairman
 Senator José M. Casanova,
 Hacendados
 Dr. Arturo Mañas, Hacendados
 Sr. Gaston Godoy, Colonas
 Dr. Teodoro Santiesteban
 Dr. Oscar Albertini, Cuban
 Embassy
 Sr. Manuel Rasco, Cuban
 Sugar Institute

AMERICAN DELEGATION
 Earl Wilson, CCC
 James Marshall, CCC
 Richard Burchard, Solicitor's
 Office [Agriculture]
 Mr. [Horace] Ritchie, Solicitor's
 Office
 Francis Linville, State
 G. F. Scherer, State
 Dr. Joshua Bernhardt,
 Agriculture
 Gustave Burmeister
 Mr. Fowler⁹¹

In reopening the Cuban sugar negotiations begun in Cuba during the summer, Mr. Earl Wilson welcomed the Cuban Commission briefly and got down to business at once.

He stated that the announcement of the finding of sugar in Java was not timed to influence the negotiations for the 1946 Cuban sugar crop. As a matter of fact, while the sugar is certainly on hand in Java, there are many complicating factors that will delay its availability.

⁹⁰ George F. Scherer was in Washington for the sugar discussions because of his experience as a Department representative in preceding negotiations for purchase of the 1945 Cuban sugar crop.

⁹¹ William A. Fowler, Chief of the Division of Commercial Policy, Department of State.

1946 Crop Only

As he had stated during previous negotiations, Mr. Wilson mentioned that the United States Government is anxious to get out of the sugar business as soon as possible without permitting recurrence of the wild speculation following World War I. Consequently, it is this Government's wish to buy only the 1946 Cuban crop, but conditions might possibly work out so that the 1947 crop is needed, and in that case negotiations could be started early in 1946.

Mr. Wilson commented favorably on the 1947 crop prospects for Cuba indicating that there may be a demand in the United States for 2½ to 3 million more tons needed than the amount of 1945 consumption, which came to 6.1 million short tons.

ESCALATOR CLAUSE

Mr. Wilson stated that the customary escalator clause for an increase in the ceiling price would be included in a new contract.

PRICE

The price to Cuba would be based on equal treatment with Puerto Rico, less tariff preferences and the payments stipulated in the Sugar Act of 1937. Hence, the price would be 3.675 cents per pound, a total 102.5 points¹ over the price of 2.65, which includes payments of 87.5 cents to Puerto Rican growers and labor and 15 cents to Puerto Rican mills.

Sr. Godoy asked if this price were final. Mr. Wilson replied that, while no final contract had been signed, several large Puerto Rican producers had indicated acceptance and CCC will not make any further increase to Puerto Rico.

LOCAL CONSUMPTION OF SUGAR

Mr. Wilson stated that we are very disconcerted about the excessive use of Cuban sugar for local consumption. During the negotiations for the 1945 crop we received assurances (not legally binding, of course) that we could expect Cuba to return some of the 250 thousand long tons which had been earmarked for local Cuban use.

In spite of these assurances we have been asked to provide 50 thousand tons extra which request was disapproved. In spite of disapproval it now appears that 27 thousand tons have been over-drawn. It may be, according to Mr. Wilson, that this sugar has moved into

¹ A point is the equivalent of one hundredth of a cent.

black market hands and there ensued a discussion of 100 thousand bags of refined sugar belonging to Pedro Rodriguez.

Dr. Seiglie, Dr. Mañas and Sr. Rasco commented on various aspects of this sugar with the apparent conclusion that Sr. Rodriguez had produced it on a speculative basis. In general, Dr. Seiglie said that the Cuban Government had found it difficult to start controlling local consumption sugar in the middle of the year but that procedures had been developed which should eliminate almost every misuse of this domestic quota.

FREE EXPORT SUGAR

Disappointment was expressed by Mr. Wilson at apparent infractions by other governments of agreements involving Cuban free export sugar. It was recalled that in granting Cuba a quantity of sugar for export to other countries, CCC requested arrangements be made so that other countries could not re-export the Cuban sugar or permit it to replace sugar sent to third countries.

Mr. Wilson showed two candy-mint wrappers stated to have been picked up in Washington which indicated Mexican and Argentine origins. Imports of sugar bearing products are now under control by the United States Government and it may no longer be possible for either Cubans or Americans to ship to this country products such as "honey marmalade" with allegedly 60 per cent honey and 40 per cent sugar when the 450 thousand gallon order made it perfectly apparent that there are not enough bees in Cuba to produce even a part of the honey needed for the shipment.

REPLY REQUESTED FROM CUBANS

Since this Government has received no indication from Cuba concerning its position on Mr. Wilson's June offer made in Habana, he asked that the Cuban Commission be prepared to reply at the next meeting. It was understood that the only change in the offer would be an increased price, resulting from increased subsidies proposed for Puerto Rico.

It was decided, in connection with statements to the press, that the Cubans might reply to press inquiries mentioning the general discussions and a price of 3.675 cents per pound, equivalent to the Puerto Rican basis. Future meetings would be held after the Cubans have a chance to consider the proposal.

The next meeting was scheduled for 10:30 a. m., October 19, 1945.

837.61351/10-2345 : Telegram

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

WASHINGTON, October 23, 1945—7 p. m.

617. At second meeting on October 23 of Sugar negotiators, Cuban Commission presented lengthy memorandum strongly urging favorable postwar treatment in United States markets. Pending establishment of permanent guarantees, Cubans request transitional agreement covering sale of at least three crops at 3.675 cents per pound; including 550,000 long tons for use as local consumption and free sugar; 500,000 long tons to be exported to United States as direct consumption sugar; continuation of Ceiling Price and Safety Clauses as well as stabilization program. Cubans also request benefit in case of duty reduction and of increase in Puerto Rican incentive payments. Molasses and alcohol included for 3 years.

Cuban memorandum reviewed June negotiations expressing gratification that Cuba should be recognized as meriting equal treatment with Puerto Rico (concerning price, with appropriate allowance for duties and Sugar Act payments). However, proposed legislation before United States Congress with regard to a duty free sugar quota for the Philippines for 20 years and possibility that analagous treatment may be given Puerto Rico might seriously prejudice Cuban long-run sugar position. As it is, the progressive reduction of Cuba's duty differential (caused by the Peruvian trade agreement)² and the purchase of Dominican sugar in the past at price equal to Cuban have increased Cuban uneasiness. Any further general reduction of sugar duties would make the situation still more dangerous for Cuba, the memorandum claims.

It was pointed out, furthermore, that Cuba could receive higher prices elsewhere, in markets with which friendly Cuban commercial relations are desirable. Offers in these markets are currently outstanding.

Cuba stands on her World War I and II record of cooperation in requesting "the equitable participation which belongs to her" in the postwar United States market.

The Cuban Commission stated much of memorandum was based on Cuban Senate Committee report and it is planned to publish text in full within day or two in Habana.

² For text of reciprocal trade agreement between the United States and Peru, signed May 7, 1942, see Department of State Executive Agreement Series No. 256, or 56 Stat. (pt. 2) 1509. For a related exchange of notes and documentation, see *Foreign Relations*, 1942, vol. VI, pp. 674 ff.

Many basic points raised in memorandum appear beyond scope and authority of present negotiations. American negotiators are reviewing memorandum preparatory to replying.

BYRNES

837.61351/10-3045 : Telegram

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

WASHINGTON, October 30, 1945—5 p. m.

630. ReDeptel 617 Oct 23, 7 p. m. During brief third meeting of sugar negotiators on Oct 30 Wilson handed Cubans memorandum in reply to their 3 crop proposal dated Oct 21.

While recognizing Cuban assistance in solving critical war-time sugar problem and Cuban interest in receiving maximum future participation in US market, memorandum states that American Congress will determine sugar policy after expiration of Sugar Act at end of next year. Accordingly, no long term sugar contract can be undertaken at present.

US memorandum contained revised proposal as follows:

1. Entire 1946 Cuban crop to be purchased except (a) 250,000 long tons for local consumption and (b) 45,000 long tons for free export sugar.
2. Price, 3.675 cents per pound.
3. Price to be increased by amount of any tariff reduction.
4. Any increase in Puerto Rican incentive payment or in US ceiling price will benefit Cuba. Clarification requested concerning item "h" of Cuban proposal of Oct 21 about loading of ships.
5. 1946 Blackstrap molasses to be purchased at 1945 price and terms, quantity subject to negotiation.

Embassy will note revised US proposal omits industrial alcohol, escalator clause based on cost of living and food stabilization program.

Next meeting scheduled for afternoon of 31st when Cubans will comment on US memorandum.

BYRNES

837.61351/11-145 : Telegram

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

WASHINGTON, November 1, 1945—8 p. m.

635. ReDeptel 630, Oct 30, 5 p. m. At the fourth sugar meeting on Oct 31 Cubans rejected US revised proposal of previous day, suggesting that discussions be suspended until both Govts have opportunity for consultation with each other.

Both Seiglie and Mañas stated emphatically Cuban Commission could not return to Habana with a one-year contract plus vague assurances for the future. Possibility of two crop purchase was hinted at by Mañas.

Subsequent to joint meeting Wilson indicated he will consult with Secretary Anderson ³ upon latter's return from Quebec concerning possible two-year purchase. Wilson considers it likely that US Congressional Committees will have to be consulted before commitment of longer than one year can be made with Cubans.

At Nov 1 meeting Wilson stated we are not in position to move forward in discussions. He suggested a temporary suspension until December 4 when meetings are to be resumed in Washington. Cubans depart at once. Agriculture is releasing press statement.

BYRNES

837.61351/11-1445

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

No. 508

HABANA, November 14, 1945.

[Received November 21.]

SIR: I have the honor to enclose a copy of a memorandum ⁴ prepared by the Cuban Sugar Stabilization Institute, in cooperation with the Cuban Ministry of Commerce, in which it is calculated that Cuban sugar withdrawals for local consumption from November 1, 1945, through January 31, 1946, will be 67,337 long tons. Only 20,000 tons are said to have been available as of November 6, leaving a deficit of 47,337 tons to be drawn from stocks contracted for sale to Commodity Credit Corporation.

This memorandum is of interest particularly with respect to the Department's instruction no. 175, October 25, 1945, and the Embassy's reply thereto in its despatch no. 442, November 5, 1945.* ⁵ The memorandum shows lucidly the circumstances responsible for Cuba's present predicament, which apparently will result in violation by the Sugar Stabilization Institute of its contract for the sale to CCC of Cuba's entire 1945 sugar crop, excluding the 250,000 long tons reserved for local consumption and the 150,000 reserved for exportation to countries other than the United States.

The Sugar Stabilization Institute estimates that available sugar stocks for local consumption, as of November 6, were 20,000 tons, of

³ Clinton P. Anderson, Secretary of Agriculture.

⁴ Not printed.

*Titled "Discussion with Minister of Commerce Regarding Cuban Sugar Consumption in Excess of 1945 Agreement." [Footnote in the original.]

⁵ Neither printed.

which 12,337 tons consisted of CCC sugars improperly diverted to domestic consumption and which must be replaced, reducing the net amount available for local consumption to 7,663 tons. As Cuban requirements before the 1946 crop becomes available are estimated at 55,000 tons, there will be a deficit of 47,337 tons which presumably can be filled only by utilizing sugars belonging to CCC. The following table shows how this figure is arrived at:

	<i>Long tons</i>
Total stocks for domestic consumption, Nov. 6	20, 000
Less: Export sugar improperly included in domestic stocks	12, 337
Net stocks for domestic consumption, Nov. 6	7, 663
Less: Requirements before 1946 crop:	
November 1945	20, 000
December 1945	20, 000
January 1945	15, 000
	55, 000
Prospective deficit in sugar contracted by CCC	47, 337

The Cubans suggested that CCC consider this 47,337 ton deficit as a loan, to be repaid from the 1946 crop, at the 1945 price of 3.1 cents per pound. As sugar stocks for exportation to CCC were reported on October 31 as 442,403 tons, this loan would reduce the remaining exports from the 1945 crop to 395,066 tons.

A reduction of 47,337 tons in deliveries to the CCC obviously is a serious blow to United States supplies. The Embassy appreciates the position of the Secretary of Agriculture who asked that a formal protest be made to the Cuban Government regarding violation of the 1945 contract, and, in accordance with the Department's instructions, the Embassy has strongly emphasized to the appropriate authorities of the Cuban Government the necessity of reducing sugar distribution for domestic consumption to a minimum for the remainder of the year. The fact is, however, that a reduction below the quantities shown above would cause a serious sugar shortage, a situation which inevitably would subject the Government to the severest possible criticism, and which the Government for political as well as economic reasons will wish to avoid at all costs.

It is evident that both the Ministry of Commerce and the Sugar Stabilization Institute are endeavoring to sidestep responsibility by casting blame for this development on each other. The Ministry disowns responsibility because even now it has not yet distributed the entire 250,000 tons reserved by Cuba, while the Institute contends that the basic fault lies in the Ministry's failure to issue local consumption certificates early in the year, for an amount equivalent to

the export sugars diverted by mills to local consumption before the Ministry established its control.

If the conclusions of the memorandum are correct, the Embassy sees no way in which CCC can obtain all of the sugar for which it has contracted. There appears to be no alternative but to accept as gracefully as possible the Cuban proposal, as the Cuban Government in any event will probably divert to local consumption the amount of sugar indicated. While a protest against the violation of the 1945 sugar contract should be made, for the record as well as to impress on the Cubans their failure to fulfill a legal contract, about all that we can expect in return is a polite expression of regret that past circumstances have made necessary this action by the Sugar Stabilization Institute.

Respectfully yours,

For the Ambassador:

C. A. BOONSTRA

Acting Agricultural Attaché

887.61351/12-545

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Barber)

[WASHINGTON,] December 5, 1945.

Participants:

CUBAN DELEGATION

Dr. Oscar Seiglie
 Senator José M. Casanova
 Sr. Gaston Godoy
 Sr. Manuel Rasco
 Dr. Oscar Albertini
 (Dr. Mañas and
 Dr. Santiesteban were
 not present)

AMERICAN DELEGATION

Mr. Earl Wilson, Chairman
 Mr. James H. Marshall
 Mr. Gustavo Burmeister
 Dr. Joshua Bernhardt
 Mr. Horace Ritchie
 Mr. Justin H. Folkerth
 Mr. Francis Linville, State
 Mr. Willard F. Barber, State

Mr. Wilson opened the meeting⁶ by reviewing the progress of earlier conversations. He referred to the Cuban interest in a "guarantee for the future". He said that there was nothing that the administrative agencies could do to bind the Congress in the future. That is beyond their power. He doubted that the sugar act would actively be taken up before the Congress prior to September 1946.

Mr. Wilson then reviewed the points upon which general agreement had been reached, making it clear that neither party was bound by

⁶ This was the first meeting since the recess of negotiations on November 1.

agreement on any point until their agreement had been reached on the entire negotiation. The points of agreement were:

1. Price—3.67 cents
2. Escalator Clause
3. Price increase in the event that the duty is reduced
4. Parity treatment with Puerto Rico.

The following items were not yet agreed upon, Mr. Wilson stated:

1. Guarantee of a future share in the U.S. Market
2. Alcohol purchase
3. Stabilization agreement
4. Amount of local consumption sugar
5. Amount of free export sugar
6. Amount of refined sugar
7. Minimum and maximum amounts of blackstrap.

Dr. Seiglie observed that agreement had not been reached on how many crops would be purchased. He stated that if adequate guarantees could be given, Cuba would sell one, two or three crops. Dr. Seiglie continued that Cuba's historic position during the two world wars showed that a share of the U.S. market larger than the 29% permitted under the 1937 Sugar Act was properly due to Cuba. With respect to Mr. Wilson's comments regarding the powers of the administrative agencies to bind the Congress, Dr. Seiglie referred to the December 23, 1941 exchange of notes between Ambassador Messersmith and the Cuban Foreign Office,⁷ i.e. "my government will make at all times every appropriate and possible effort to safeguard that position"—the proportion guaranteed under the 1937 law. This could be the form of a guarantee. With respect to the substance of the guarantee, Dr. Seiglie thought that there should be maintenance of Cuba's position irrespective of the treatment or ultimate independence of the Philippines or Puerto Rico. Mr. Wilson asked what suggestion Dr. Seiglie had for accomplishing this purpose. Dr. Seiglie said he had a draft of a note he would send to Mr. Wilson tomorrow. Mr. Wilson replied that he would be glad to see it, although he has not yet discussed such a note with Secretary of Agriculture, with Department of State or with any representative of Congress.

Referring to the alcohol purchase, Mr. Wilson stated that alcohol plants were being closed in this country; a large stock was on hand here; there was no way to make use of additional Cuban alcohol. Dr. Seiglie replied that this was a very difficult problem and that political questions were involved. With the suggestion that there be omitted

⁷ Reference is to the notes exchanged in relation to the second supplementary trade agreement of the same date; for text, see Department of State Executive Agreement Series No. 229, or 55 Stat. (pt. 2) 1449.

from the contract any stabilization of basic foodstuffs, Mr. Wilson said that he thought that Cuba would be protected from a run away inflation by the use of the cost of living index clause. Dr. Seiglie said that he would like to take this up later after the food specialists had arrived from Habana. With respect to blackstrap Mr. Wilson said that the U.S. would be glad to take all that Cuba could produce. In response to Dr. Seiglie's question as to the purpose for which the blackstrap would be destined, Mr. Wilson replied "for cattle feed." The Cuban delegation did not seem to take this answer seriously and apparently think blackstrap will be used in this country for other purposes.

It was agreed that the next meeting would be in Mr. Wilson's Office at 4:00 p. m. (Thursday, December 6), with only the United States Delegation present.

After the meeting adjourned Mr. Wilson gave it as his personal opinion that the Cuban Delegation was quite willing to enter into a contract but needed some kind of letter or exchange of notes as a face saving device to take back to Cuba with them.

837.61351/12-1345 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Norweb)

WASHINGTON, December 13, 1945—6 p. m.

695. No sugar meeting held December 12. At today's session, the last, Wilson stated that regarding issues hitherto not agreed upon the U. S. position must be:

1. No alcohol purchase.
2. No stabilization agreement.
3. No increase in U.S. importation of refined.
4. Only one year purchase of blackstrap.

Wilson added that agencies here would prepare a letter regarding "future guarantees" for presentation to Cuban Mission upon its return to Washington.

Amounts for local consumption and free export were not agreed upon and are subject to further discussion.

Text of press release follows.⁸

ACHESON

⁸ The Department of Agriculture, in a press release issued December 14, stated that the December discussions had been devoted to the problems revealed in the October exchange of memoranda and that an agreement was expected to be reached when the meetings resumed in Washington after the first of the year.

837.5018/12-1745 : Telegram

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

HABANA, December 17, 1945—9 p. m.

[Received December 18—1:05 a. m.]

807. FonMin told me today that as result of expiration of special flour subsidy to Cuba flour stocks will soon be completely exhausted and that Cuba was therefore contemplating sending to Washington official commission composed of representatives of ORPA and food trade to discuss new stabilization agreement thereby preparing way for resumption of sugar negotiations early next year (see Emb's report of December 14, 1945 entitled "Cuban Price Stabilization for Basic Foodstuffs").⁹ Minister's remarks apparently indicate Cubans are not disposed to take seriously our repeated refusals to enter into another stabilization agreement.

A similar situation arose late in 1944 when Cuban Government to avoid flour shortage itself subsidized imports during first few months of 1945.

NORWEB

837.61351/12-2045 : Telegram

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

HABANA, December 20, 1945—2 p. m.

[Received 3:46 p. m.]

811. President Grau reportedly signed decree last night authorizing commencement of sugar harvest on Jan 2 and intends to decree increased domestic consumption and free sugar quotas. He will also authorize institute to start sugar shipments to U. S. pending conclusion negotiations. While early harvest is widely heralded here as cooperative effort to relieve our sugar shortage, it is obviously intended for publicity purposes in U. S. and to relieve Cuba's own shortage. Very few mills will start before middle Jan.

NORWEB

837.61351/12-2145 : Circular telegram

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

WASHINGTON, December 21, 1945—9:35 a. m.

Negotiations for the purchase of Cuba's 1946 sugar crop have again been broken off at the instance of the Cuban delegation, which states

⁹ Not printed.

that it will require acceptable assurances regarding the future of Cuban sugar in the United States market before it is prepared to consider a global sale.

The Department had hoped that essential deficit requirements of other American Republics could be provided for by agreement with Cuba to set aside sugar for sale within the hemisphere at a reasonable price, as was done last year. Cuban negotiators were not receptive to our request that sales to other countries be deferred until after conclusion of a contract with the United States, and have, on the contrary, indicated that they will be obliged to meet pressing requirements of other countries and that they expect to charge prevailing world price. The nearest approach to a world price under present controlled market conditions is that charged for Peruvian sugar, which has recently been in the neighborhood of 11 cents per pound, refined basis.

The Department pointed out that the present world price is exorbitant and that exaction of this price will seriously impair the efforts of the other American Republics to prevent an inflationary rise in the cost of living. The Cuban representatives indicated that failure of the other American Republics to control the prices of commodities exported to Cuba provide adequate justification, in their view, for the action contemplated by Cuba. It would, therefore, appear that, even if the United States is later successful in concluding a contract at a price below the going world price, it is extremely doubtful that Cuba will agree to sales at a comparable figure elsewhere in the hemisphere since, so far as the Department is aware, the United States is the only country which has exercised close control over export prices.

ACHESON

837.61351/12-1745 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Norweb)

WASHINGTON, December 21, 1945—7 p. m.

715. ReEmbs 807, Dec. 17. Advise against sending commission to Washington to discuss stabilization agreement. Cuban Sugar Commission was told recently that Agri could not consider renewal of price stabilization agreement. Now that Cubans have been offered another substantial increase in price of sugar, we cannot justify renewal of the preferential treatment for Cuba involved in this agreement.

ACHESON

837.61351/12-2145

The Secretary of Agriculture (Anderson) to the Secretary of State

WASHINGTON, December 21, 1945.

DEAR MR. SECRETARY: The negotiations for the purchase of the Cuban 1946 sugar crop have been recessed twice, due largely to the inability of the United States Committee to meet the requirement of a guaranteed future participation in the United States sugar market demanded by the Cuban Commission. During the most recent meetings the Cuban Commission indicated that a letter of administration policy regarding this question from the United States Ambassador at Havana to the Cuban Minister of State,¹⁰ somewhat similar to the letter written December 23, 1941,¹¹ would be acceptable.

The public statements of the members of the Cuban Commission give the impression that their minimum demand is a 40 percent share in our postwar sugar market as against the prewar Sugar Act share of 29 percent. However, I am informed by our representatives that the Cuban Commission in its discussion with the United States Committee did not take such a position, but merely claimed that their war contribution should be recognized and their increased participation in the future assured. Our representatives have pointed out to the Cuban Commission that this is a question which must be settled by Congress at the time consideration is given to the extension of the present Sugar Act which expires December 31, 1946.

If the public statements of the Cuban Commission actually represent their minimum demands, there is nothing further that can be done by the United States negotiators until Congress acts on sugar legislation, which will probably not be before the fall of 1946. If, on the other hand, they will be satisfied with a general statement of friendship toward Cuba, the enclosed draft of a letter¹² might enable negotiations to be resumed.

You are, therefore, requested to give consideration to the submission by the United States Ambassador at Havana to the Cuban Minister of State of a letter somewhat along the lines of the enclosed draft. If possible, I should like action taken by the first of the year so that we may plan accordingly. If the letter is accepted, we expect to request the return to Washington of the Cuban Commission early in January.

Sincerely yours,

CLINTON P. ANDERSON

¹⁰ Gustavo Cuervo Rubio.

¹¹ See footnote 7, p. 951.

¹² Not printed; the draft was subjected to two revisions before delivery to Ambassador Belt early in 1946.

REPRESENTATIONS BY THE UNITED STATES REGARDING CUBAN
DELAYS IN SETTLEMENT OF CLAIMS OF AMERICAN NATIONALS
AND LEND-LEASE OBLIGATIONS¹³

437.11/10-1644

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

No. 4756

WASHINGTON, December 16, 1944.

SIR: Receipt is acknowledged of your despatch no. 8058 of October 16, 1944,¹⁴ enclosing a copy and translation of a note of October 4, 1944 from the Cuban Minister of State then in office,¹⁵ in reply to your communication of September 30, 1944¹⁶ concerning suggestions made by this Government in relation to settlement of claims of American nationals against Cuba.

With reference to claims of American nationals based upon unsatisfied judgments of Cuban courts and also those for the value of supplies furnished, or services rendered, under contracts, the validity of which is not in dispute, it is noted that the Minister stated that the Government of Cuba "continues to make necessary arrangements for their satisfaction", and in that connection he made reference to a decree issued August 2, 1944 which, insofar as it related to private claims, "ordered" the payment of a total sum of approximately \$148,600 on account of only three of the many outstanding claims of the character under discussion. The action of the Cuban Government in issuing the above-mentioned decree, can hardly be regarded as convincing evidence in support of the Minister's statement that the government "continues to make necessary arrangements" for the satisfaction of the groups of claims to which he referred. So far as the Department is aware, the Cuban Government has, since the issuance of the decree, taken no effective steps to make payment on account of the three claims involved, much less the payment of the numerous other undisputed claims involving amounts totaling many times the total of the three claims mentioned in the decree.

It is noted that in the Minister's communication it is stated that claims other than those referred to in the preceding paragraph are "excepted" from the provisions of the Inter-American Arbitration Treaty of 1929,¹⁷ to which both the United States and Cuba are parties, and that consequently such claims should be settled in accordance with the procedure prescribed by domestic law. It may be observed that

¹³ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 905 ff.

¹⁴ *Ibid.*, p. 912.

¹⁵ Note No. 2466, from Jorge Mañach y Roberto, not printed.

¹⁶ Not printed.

¹⁷ Signed at Washington January 5, 1929, *Foreign Relations*, 1929, vol. I, p. 659.

by Article 1 of that treaty the governments obligated themselves to submit to arbitration "all differences of an international character" which may arise and which it has not been possible to adjust by diplomacy. However, by Article 2 there were excepted from the stipulations of the treaty controversies "which are within the domestic jurisdiction of [any of] the Parties to the dispute and are not controlled by international law".

This Government does not contend that the provisions of the above-mentioned treaty obligates the Cuban Government to agree to submit to arbitration the claims in question. It may be observed, however, that the stipulation in the convention excepting certain classes of cases from compulsory arbitration, as provided for in Article 1, merely constitutes a recognition of the generally accepted principle of international law which requires, as a condition precedent to the establishment of a valid international claim, the exhaustion of such legal remedies as may be available in the tribunals of the state against which the claim is preferred. In that relation reference must be made to another generally accepted principle of international law which dispenses with the requirement of exhausting local remedies when those remedies appear insufficient, illusory or ineffective in securing adequate redress.

According to the Department's information several American claimants have exhausted remedies available to them in the courts of Cuba and, despite the fact that they have obtained judgments against the Government of Cuba, that Government has failed to satisfy such judgments, which have now been outstanding over a period of six to twenty years. In view of the failure of the government in that respect to comply with the obligation imposed upon it by international law to give effect to the decisions of its courts, no reason is perceived why all other American claimants, including those possessing undisputed claims, should be required to have their claims reduced to the form of judgments of Cuban courts against the Cuban Government, a procedure which, in the light of the past record, would appear to be ineffective and futile.

Consequently, it is the view of this Government that the Cuban Government is, from the standpoint of international law, hardly in a position to insist that American claimants resort to such procedure as may be provided by Cuban law to reduce their claims to the form of judgments by Cuban courts. Since it appears to be well settled that a state cannot appeal to its domestic legislation as an answer to demands for the fulfillment of international duties, it is also the view of this Government that the Government of Cuba cannot properly seek

to avoid its international obligation to make provision for the settlement of claims of American nationals on the basis of the alleged fact that under the laws of Cuba the courts of Cuba are vested with jurisdiction to consider such claims.

In view of the foregoing, it is suggested that you continue your efforts to bring about a satisfactory solution of the claims situation along the lines indicated in the Department's instruction no. 4506 of September 26, 1944.¹⁸ The Department recognizes that the change in administration in the Cuban Government may modify your manner of approach. You are, of course, given complete discretion in this connection. It is recalled that, during his visit to Washington as President-elect, Dr. Grau expressed emphatically the view that the Cuban Government should promptly settle its financial obligations.

Very truly yours,

For the Secretary of State:

DEAN ACHESON

437.11/1-545

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

No. 8543

HABANA, January 5, 1945.

[Received January 9.]

Subject: Claims of United States Nationals.

SIR: I have the honor to refer to the Department's instruction No. 4756 of December 16, 1944. In view of the recent change of Government,¹⁹ I did not feel that I could send a formal note to the present Government embodying the strong, but very valid, observations contained in the Department's instruction. I decided, however, that it was necessary to put on the record a full denial of the arguments which had been put forth by the former Minister of State in his note No. 2466 of October 4, 1944.²⁰

To meet this situation, I have written note No. 2, January 2, 1945, to the present Minister of State; I enclose a copy for the information of the Department. It will be observed that I express, in my note, appreciation for the sympathetic consideration which this matter has received from Dr. Grau and other members of his Government. At the same time, I refute the arguments of the former Government in a memorandum attached to my note.

I regret to say that I am not very optimistic that this important question will receive prompt attention from the Government of Dr.

¹⁸ *Foreign Relations*, 1944, vol. VII, p. 910.

¹⁹ President Fulgencio Batista was succeeded in office by Ramón Grau San Martín on October 10, 1944.

²⁰ Not printed.

Grau. I believe that the President has the best of intentions and that when he talks with me he has every wish to meet the legitimate requests of the United States Government. Unfortunately, however, his Administration is extremely unbusinesslike and he does not have the ability to delegate to responsible Cabinet Ministers the authority to carry out important tasks such as the one relating to the settlement of claims of United States nationals.

During my luncheon meeting with President Grau and Ambassador Belt ²¹ on December 28, it was suggested that I prepare a memorandum showing the present status of all questions pending between this Embassy and the Cuban Government. Such a memorandum was prepared and copies were given to President Grau, Foreign Minister Cuervo Rubio, and Ambassador Belt on December 30, 1944. The following paragraph with regard to claims is quoted from that memorandum:

"5. Claims of United States Nationals.

President Grau is in agreement that claims which have been the subject of favorable decisions by the Cuban Supreme Court should be paid promptly by the Cuban Government. The President is likewise in agreement that claims admitted by various departments and agencies of the Cuban Government should be paid so promptly as possible. With regard to claims which have not received final approval of the Cuban Government, the President agreed as to the desirability of submitting these to a Mixed Commission."

I would respectfully suggest that the Department take every possible occasion to impress upon Ambassador Belt the importance of setting up the machinery for the settlement of these claims so promptly as possible.

Respectfully yours,

SPRUILLE BRADEN

[Enclosure]

*The American Ambassador (Braden) to the Cuban Minister of State
(Cuervo Rubio)*

No. 2

HABANA, January 2, 1945.

EXCELLENCY: I have the honor to refer to the conversations which I have had with Your Excellency as well as those with Their Excellencies the President of the Republic and the Minister of Finance ²² concerning claims of United States nationals against the Cuban Government.

I wish especially to express my appreciation for the courteous and sympathetic consideration which this matter has received from the

²¹ Guillermo Belt, Cuban Ambassador to the United States.

²² Manuel Fernandez Supervielle.

present Government. Also my Government and I are similarly grateful for the intention expressed by President Grau that prompt action should be taken by his Government looking toward the meeting of these obligations.

As Your Excellency may be aware, I sent note No. 847 of September 30, 1944, under instructions from my Government,²³ to Your Excellency's predecessor. In that communication I again expressed the conviction of my Government that the claims based on Supreme Court decisions and those based on non-payment for services rendered or supplies furnished under contract should be paid without delay. I likewise transmitted with that note a draft Claims Convention²⁴ to take care of those claims of which the validity has not yet been fully determined. On the afternoon of October 10th, 1944, immediately after the previous Government had left office, there was delivered to me note No. 2466 of October 4, 1944 by which the Minister of State refused to consider the enclosed Convention and even returned to me the copy which I had sent him under cover of my official note.

While in the light of the splendid assurances received by me from the Government of Dr. Grau a discussion of this exchange of notes now appears academic, nevertheless my Government feels that it cannot permit to remain on the record unanswered the point of view set forth by Your Excellency's predecessor in his above-mentioned note. I am therefore taking the liberty of sending you herewith a memorandum setting forth my Government's observations on note No. 2466.

In view of President Grau's forthright and highly satisfactory assurances in these matters and because of the encouraging conversations which I have had with Your Excellency and with other officials of the present Government, I trust that steps may be taken in the near future to implement the President's desires in respect of this important matter. To this end, it is my understanding that Your Excellency's Government will, so soon as possible, begin payment on those claims of United States nationals which are based on decisions of the courts of Cuba and those which are based on non-reimbursement for services rendered or supplies furnished to the Cuban Government under contract and that, with respect to those claims of United States nationals which have not yet been fully recognized by the Cuban Government, a mixed claims commission will be set up to consider their validity.

Please accept [etc.]

SPRUILLE BRADEN

²³ See instruction 4506, September 26, 1944, to Habana, *Foreign Relations*, 1944, vol. VII, p. 910.

²⁴ Not printed, but see instruction 4506, September 26, 1944, to Habana, and despatch 8058, October 16, 1944, from Habana, *ibid.*, pp. 910 and 912, respectively.

[Subenclosure]

Memorandum by the American Ambassador (Braden) to the Cuban Minister of State (Cuervo Rubio)

Claims of American citizens and American companies against the Cuban Government have been the subject of conversations and correspondence between the Embassy and the Ministry of State over a long period of time. Some of these claims date back more than thirty years without any payment having been made on them, despite the fact that a number of the claimants have exhausted all legal processes open to them and have been the recipient of favorable decisions in the Cuban Supreme Court. A partial list of these claims was sent to the Ministry of State under date of June 2, 1944, and reference thereto was made in the Embassy's note no. 803 of September 14, 1944.

Ambassador Braden in his note no. 847 of September 30, 1944, written under instructions from the Department of State, again expressed the conviction of his Government that the claims based on Supreme Court decisions and those based on non-payment for services rendered or supplies furnished under contract should be paid without delay. With reference to the other claims the validity of which has not yet been finally determined, the Government of the United States proposed a Draft Claims Convention for the consideration of the Cuban Government. In his note no. 2466 of October 10 [4], 1944, the Minister of State, Dr. Mañach, refused to consider the proposed Convention; with respect to the other claims, the Minister reiterated the intention of the Cuban Government to make payment but gave no indication that any effective action toward that end had been taken.

The Government of the United States is deeply concerned by this failure of the Cuban Government to meet its obligations to United States nationals. The Government of the United States has noted the statement made by Dr. Mañach in his note of October 10 [4] to the effect that the Government of Cuba "continues to make necessary arrangement" for the satisfaction of these claims. The Minister of State referred particularly to the decree issued August 2, 1944, which "ordered" the payment of approximately \$148,600 on account of only three of the many outstanding claims of the character under discussion. It is the opinion of the Government of the United States that the mere issuance of this decree is not convincing evidence that the Cuban Government "continues to make necessary arrangement" for payment of the claims of United States nationals. It may likewise be observed that the Government of Cuba appears to have taken no

effective steps to make payment on account of the three claims involved, much less the payment of the numerous other undisputed claims involving amounts many times the total of the claims mentioned in the decree.

In the communication from Dr. Mañach, it is stated that those claims of which the validity has not yet been fully determined by court action or through recognition of the Cuban Government are "excepted" from the provisions of the Inter-American Arbitration Treaty of 1929, to which both the United States and Cuba are parties, and that consequently such claims should be settled in accordance with the procedure described by domestic law. It may be observed that by Article I of that Treaty the Governments obligated themselves to submit to arbitration "all differences of an international character" which may arise and which it has not been possible to adjust by diplomacy. However, by Article II there were excepted from the stipulations of the Treaty controversies "which are within the domestic jurisdiction of [any of] the parties to the dispute and are not controlled by international law".

The Government of the United States does not contend that the provisions of the above-mentioned Treaty obligate the Government of Cuba to agree to submit to arbitration the claims in question. It may be observed, however, that the stipulation in the convention excepting certain classes of cases from compulsory arbitration, as provided for in Article I, merely constitutes a recognition of the generally accepted principle of international law which requires, as a condition precedent to the establishment of a valid international claim, the exhaustion of such legal remedies as may be available in the tribunals of the state against which the claim is preferred. In that relation, reference must be made to another generally accepted principle of international law which dispenses with the requirement of exhausting local remedies when those remedies appear insufficient, illusory, or ineffective in securing adequate redress.

According to information contained in the files of the Department of State, several American claimants have exhausted remedies available to them in the courts of Cuba and, despite the fact that they have obtained judgments against the Government of Cuba, that Government has failed to satisfy such judgments, which have now been outstanding over a period of six to thirty or more years. In view of the failure of the Cuban Government in this respect to comply with the obligations imposed upon it by international law to give effect to decisions of its courts, no reason is perceived why all other American claimants, including those possessing undisputed claims, should be required to have their claims reduced to the form of judgments of

Cuban courts against the Cuban Government, a procedure which, in the light of the past record, would appear to be ineffective and futile.

Consequently, it is the view of the Government of the United States that the Cuban Government is, from the standpoint of international law, hardly in a position to insist that American claimants resort to such procedure as may be provided by Cuban law to reduce their claims to the form of judgments by Cuban courts. Since it appears to be well settled that a state cannot appeal to its domestic legislation as an answer to demands for the fulfillment of international duties, it is also the view of the Government of the United States that the Government of Cuba cannot properly seek to avoid its international obligation to make provision for the settlement of claims of American nationals on the basis of the alleged fact that under the laws of Cuba the courts of Cuba are vested with jurisdiction to consider such claims.

HABANA, December 28, 1944.

437.11/6-145

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

No. 9449

HABANA, June 1, 1945.

[Received June 5.]

SIR: I have the honor to refer to the Embassy's despatch no. 8543 of January 5, 1945, entitled "Claims of United States Nationals," and to report that, after an extended series of conversations with President Grau and Minister of Finance Supervielle, a *modus operandi* seems to have been achieved for the gradual payment of recognized claims accruing since the adoption of the Constitution of 1940.

According to the constitutional interpretation of the present Government, claims accruing prior to the adoption of the Constitution have become a fixed part of the floating debt, which can only be fiscalized or liquidated after the Congress has complied with the constitutional mandate to establish a Tribunal of Accounts. As reported in the Embassy's despatch no. 9050 of March 27, 1945,²⁵ entitled "Prospective Establishment of a Tribunal of Accounts to Regulate Cuban Government Expenditures," legislation to this end has now been introduced with full administration support, and final enactment may occur during the current year. Since the Tribunal, however, would consider claims of Cuban as well as foreign nationals, the task of securing prompt and full payment of valid United States claims prior

²⁵ Not printed.

to 1940 may be one of considerable complexity, despite President Grau's confident assurances in this matter.

As regards the claims accruing since 1940, however, the Government takes the position that the constitutional limitations described above do not apply and that current surplus funds may be used to effect payment. In the specific case of the Isle of Pines Steamship Company, whose claims go back to 1924, the Treasury has just given a check for some \$30,000 to cover 1944 and 1945 charges and has promised the balance of some \$90,000, embracing the years 1940-43 inclusive, by September next. This case was strongly supported by the Embassy both as a hopeful precedent and in order to avert the possible financial collapse of a 100 percent American-owned utility serving the vital transportation needs of the Isle of Pines.

Cuban budgetary legislation theoretically prohibits payment of accounts accruing during the previous fiscal year after the budget for that year has been liquidated, but in practice this restriction is not always observed. The assurances given by Dr. Grau and Dr. Supervielle indicate that they intend to disregard this restriction in the case of the post-1940 claims of United States nationals. The President is not sure whether all such claims can be paid by September but he has definitely stated that they would be met just as quickly as cash on hand permits.

In order to avoid discrimination in favor of any one claimant, the Embassy a month ago proposed to the American Chamber of Commerce that it make use of its facilities to secure complete and up-to-date figures from each member who may have claims against the Cuban Government which have been sustained by the courts or admitted as valid by an administrative agency. The Chamber committee has acted in this matter without mentioning the Embassy's interest, but will provide the assembled data for official use in future representations to governmental authorities. Under the Constitution no disbursements by executive decree may be made while Congress is in session, but it is hoped that a series of specific commitments may be concluded on the basis of the Chamber's figures during the summer recess.

I believe that President Grau is entirely sincere in his desire to reach an early settlement of the whole claims issue, and that the constitutional formula suggested by Supervielle for post-1940 claims is welcomed by him as a means of liquidating at least one segment of the problem. The present records of the Embassy would indicate that these more recent claims do not amount to more than a quarter of the total due to United States nationals, but this conclusion may be modified by further study of the exact statements received from the Cham-

ber of Commerce. In any event, I feel that a profitable and practicable approach to the question has been found, without any compromise or *quid pro quo* on our part.

In this connection, an interesting insight into President Grau's motivation was revealed when he observed to Ambassador Braden in the course of the recent conversation that former President Estrada Palma ²⁶ had invited revolution by amassing a current surplus of some twenty million pesos. In order not to put undue temptation in the way of his "gangster" compatriots, Dr. Grau continued, he would utilize accumulating funds for the payment of just debts and for constructive public works. It will be to our interest to assure that he does not forget this very sagacious observation.

Respectfully yours,

JAMES H. WRIGHT

837.24/11-1745 : Airgram

*The Secretary of State to the Ambassador in Cuba (Norweb)*²⁷

WASHINGTON, November 30, 1945.

A-1710. Reference is made to Embassy's airgram A-2117 of November 15 and to its telegram 741 of November 16 ²⁸ regarding proposed purchase of corvettes, launches, police cars, etc., and to the Department's secret instruction no. 48 of August 25 ²⁹ referring to delinquent Lend-Lease reimbursement.

The Cuban Chargé ³⁰ was today called to Department and was informed that it is our opinion that Cuba should not delay longer in its outstanding and overdue Lend-Lease obligations.

It was observed that the Cuban Government's prospective purchases of corvettes (amounting to one million dollars) [and] launches pointed up its ability to pay for the materials and equipment already received.

The Chargé was also told that amongst the other American republics having Lend-Lease Agreement, Cuba was one of the very few governments that had not yet made payments and that many of the other governments that had made payment were in a much less favorable financial situation than prevails in Cuba. The amount due last August, and still unpaid, is \$2,117,000.³¹

²⁶ First President of Cuba, May 20, 1902, to September 28, 1906.

²⁷ R. Henry Norweb presented his credentials on July 24, 1945.

²⁸ Neither printed.

²⁹ Not printed.

³⁰ José T. Barón.

³¹ In instruction 5198, May 19, 1945, the Department had indicated that through February 28, 1945, the total charges for defense matériel amounted to \$3,133,927.08 and that Cuba owed \$1,828,000 (837.24/4-2145).

Please bring this situation to the attention of the President and of the Foreign Office, expressing the surprise felt in Washington that this pending obligation has not been met despite the five statements of account that have been presented to date.

BYRNES

437.11/12-1845

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

No. 727

HABANA, December 18, 1945.

[Received December 28.]

SIR: I have the honor to refer to the Department's airgram No. A-1766 of December 10, 1945³² regarding the claims of American nationals against the Cuban Government, and to report herewith, in a preliminary fashion, on the present status of these matters.

In urging upon the Cuban Government the settlement of the accounts of American nationals and of the American Government, the Embassy has recognized the following classes:

1. Sums owed the American Government under accounts with the Government of Cuba, including the \$2,117,000 Lend-Lease account pending settlement, and the charge for \$103,489.00 for peanut seed contracted for in 1943.³³

2. The Stowers compensation (not claim) case, into which there enters an element of personal hardship and suffering which renders its exceptionally rigorous prosecution a matter of immediate urgency without reference to the group or individual position of other private American claimants.

3. The claims of American nationals against the Cuban Government which, in turn, are divided into three categories: *a*) those supported by court decisions; *b*) those otherwise openly or tacitly recognized by the Cuban Government; and *c*) those in dispute.

With respect to classes 1) and 2), the Embassy has, of course, no reservations as to procedure. They receive preferential attention, and payment is advocated at every opportunity in terms the strength of which is limited only by the civility requisite to diplomatic intercourse.

Under the third class there is a special case: that of the Isle of Pines Steamship Company claims.

³² Not printed; in this airgram the Secretary of State instructed that representations be made regarding Cuba's failure to pay claims of long standing of American nationals, to implement the *modus operandi* to repay claims accruing since 1940, or to take any action with respect to a draft claims convention which had been presented by the Embassy (437.11/12-1045).

³³ See *Foreign Relations*, 1943, vol. VI, pp. 223 ff., *passim*.

In a recent conversation with the Minister of Finance, Mr. Nufer³⁴ brought up the Steamship Company's claim for services rendered during the period 1940-1943. He reminded the Minister of the offer which he had made to Ambassador Braden early in 1945 to pay the company immediately its claims against the Government for 1944 and the beginning of 1945 and to pay its claims for the period 1940-1943 later in the year. Dr. Supervielle replied that, as is known, the 1944 claims had been paid in full. With regard to the 1940-1943 claim, he said that the Cabinet could make no appropriations while Congress was in session and that when Congress recessed he hoped to be able to obtain the Cabinet's approval for a further appropriation to cover the claims under reference.

This situation is now complicated by the fact that, while Congress is still in session, it is understood Dr. Supervielle will shortly have to resign in view of his announced candidacy for the position of Mayor of Habana. He may not have the opportunity to press on the Cabinet, as a member thereof, the steps necessary to the end desired, though conceivably he may have success in this respect even after he ceases to be Minister of Finance.

Dr. Supervielle's offer was based on his opinion that the provisions of the Constitution of 1940, under which a Tribunal of Accounts must be established for the purpose, *inter alia*, of determining the extent of Cuba's floating debt and recommending ways and means for its settlement, did not apply to claims against the Cuban Government arising from obligations incurred subsequent to 1940 and that, therefore, it would be licit under the Constitution to pay the 1940-1943 accounts owing to the Isle of Pines Steamship Company even though they have become a part of the floating debt. It is conceivable that Dr. Supervielle, even were he to be armed with the President's statement that he wished this payment to be made, might be unable to persuade his fellow Cabinet members of the validity of this interpretation, as the constitutional question is one on which two sides may be taken.

The remaining cases under class 3, insofar as a precedent for the handling of 1940-1943 claims may not be furnished by the solution of the Isle of Pines Steamship Company case, will doubtless have to await the establishment and operation of the Accounting Tribunal. A bill to establish this Tribunal was approved in part by the Senate in 1942 and has now been heavily amended after first reading in the House of Representatives and brought up for second reading and vote in the House. If passed, it will be returned in amended form to the

³⁴ Albert F. Nufer, Counselor of Embassy for Economic Affairs.

Senate. The tribunal, within two years after its establishment, must, as previously mentioned, define the Republic's total floating debt and propose ways and means for its liquidation. This might very possibly involve the issue of bonds to the creditors, although we should insofar as possible insist on cash payment of United States claims based on Supreme Court decisions and on supplies furnished the Cuban Government.

In pressing for the payment of claims to American creditors, the Embassy has no tool at hand more trenchant than forceful persuasion, which has been availed of to the full at every turn. I have told the President that I expect to bring the Stowers case up, every time I see him, until Stowers is paid. Though the President is regarded on balance as a sensitive man, it seems to cause him no intense concern or pain that he must allege technical difficulties as blocking the settlement proposed. I have frankly not derived real reassurance from his attitude, but refrain for the moment from passing any final judgment. Should the Congress recess, and the end of the year go by without the passage of a new budget bill, the Government would again, as in former years back to 1937, appropriate by decree, and an appropriation of \$50,000 to buy a certainly not overvalued piece of land would be a small crumb to choke on. It may be that the new year, given the conditions predicated above, will see some action on this case.

Further than persuasion, however vigorous, no levers, instruments, threats, or possible concessions in exchange, have been furnished for my use in discussing the general subject of claims. One argument which is easy to use is the fact that Cuba is exceptionally prosperous at present; another is that Cuba will wish to maintain its standing in international banking and commercial circles as a nation prompt in the payment of its just debts. If complete good will on Cuba's part may be relied on, neither argument is necessary; and if Cuba still, as under the late lamented Batista administration, actually wishes to avoid the conclusion of arrangements which will settle these claims, the two arguments cancel each other out; Cuba is prosperous in spite of a bad payment record outside the funded debt. It flourishes like the green bay tree.

But I am unwilling to conclude so soon that good will is entirely lacking. After all, Cuba meets its funded debt obligations handily. If the Grau administration has seemed to follow Batista's path in respect to claims, it must be remembered that its activities were initiated in complete inexperience and, after fifteen months, have come to be characterized by a legislative impasse only now possibly on the point of solution. I would not venture to guess how stable the solution

will be, but at least the Tribunal of Accounts bill has been the subject of recent action, largely as a result of the Embassy's representations, and the fight over the budget bill will be terminated by the calendar if by nothing else.

While conceding the possible continued existence of Cuban good will to pay, I fear that the complications of the local political scene do not afford good grounds to hope the Tribunal of Accounts will be established by the brief spring session of Congress. Action would be unlikely before the September session, with the June elections behind. If the spring session should in fact show signs of bogging down on the Tribunal bill, the arguments in favor of re-submitting the Draft Claims Convention would be reinforced.

At this season of the year, as has been usual, sugar negotiations cast their shadow over the whole picture of business between the two governments, not necessarily to any ominous effect, but with the result that other discussions cannot enlist full Cuban attention. An eventual sugar settlement will still further clear the path for Cuban work on the claims.

Before reporting my views on the advisability of re-submitting the Draft Claims Convention, I wish to give further study to some of the circumstances which might contribute to or militate against its eventual acceptance by Cuba. A supplementary discussion on this matter will be forwarded at a later date.

Respectfully yours,

R. HENRY NORWEB

**POLICY WITH RESPECT TO INTERVENTION IN LABOR DISPUTES
AFFECTING AMERICAN INTERESTS IN CUBA**

103.9169 : Telegram

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

HABANA, February 3, 1945—12 a. m.

[Received 4:20 p. m.]

71. For Gardiner and Fraser FEA ³⁵ from Davis. Contrary to the promise given us during first part December to previously discuss with us his decision relative to laborers petition for reinstatement in Santiago, Minister of Labor ³⁶ signed four resolutions against USCCA ³⁷ ordering reinstatement of four employees and declaring

³⁵ Foreign Economic Administration.

³⁶ Carlos Azcárate Rosell.

³⁷ United States Commercial Company Agency, usually abbreviated USCC. This agency of the United States Government was directing certain strategic mining operations abroad in support of the war effort.

resolution No. 7 of October 1943 unconstitutional. Seventeen laborers' petitions still pending.

Officials of Embassy and I again discussed this situation with Minister last night and have agreed not to contest the four resolutions but specifically requested favorable action on other 17 petitions inasmuch as USCCA acted in good faith under previous official resolution. In other words we requested that Minister's resolution declaring resolution No. 7 of October 1943 unconstitutional not be retroactive. Minister expects to consult with Cabinet Ministers on Monday February 5 and will notify us of their decision in this matter. We advised Minister we would prefer to see resolution No. 7 remain in effect but should "expedientes" be required in future before dismissal of employees can be made we will conform to Cuban Government's ruling. Will advise further details next week.

Meeting has been called in Santiago for Wednesday February 14 to present union's demands to USCCA for contract. As we are not liquidating USCCA as rapidly as we believed last fall I see no valid reason for refusing to enter into contract particularly in view of telegram 896 of November 20 from Department of State to Ambassador.³⁸ I expect to go to Santiago for hearing and upon presentation of their demands by the union I will inform them that demands will be submitted to FEA in Washington for decision and that our answer must be held in abeyance for 30 days in order to give Washington an opportunity to make their decision. Please give this matter your preferred attention and I suggest you communicate with me by telephone not later than Friday February 9 as I shall leave for Santiago on Monday February 12 to prepare for meeting. [Davis.]

MUCCIO

103.9169 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Braden)

WASHINGTON, February 9, 1945—4 p. m.

86. For Davis from Gardiner and Fraser FEA. Your 71, February 3. We wish you to maintain position that USCCA is immune from suit and therefore not liable for claims outlined in your cable, unless Embassy has strong objections.

Following your full report, we will give consideration to union's demand for contract in accordance with your wishes. [Gardiner and Fraser.]

GREW

³⁸ Not printed, but for essence, see telegram 94 to Habana, p. 971.

103.9169/2-1245 : Telegram

The Acting Secretary of State to the Ambassador in Cuba (Braden)

WASHINGTON, February 12, 1945—7 p. m.

94. Telegram 86 of February 9 from FEA requesting maintenance of position that USCC is immune from suit and therefore not liable to claims outlined in your telegram 71 of February 3 is valid from a strictly legalistic standpoint, but in no way alters the position outlined in the Department's cable 896 of November 20, 1944³⁹ which stated that:

"Without waiving general immunity rights, USCC should voluntarily comply with provisions local labor laws so far as such provisions are practicable and will not seriously embarrass the agency's operations.

"While indicating to Cuban Government temporary character of its operations, agency should abide by views Cuban Government as to advisability formal contract with union" et cetera.

It is the view of the Department that agencies of this Government should not ordinarily exercise their right to immunity with respect to these matters, although doubt should not be cast upon legal right to such immunity of an agency or instrumentality of the U. S. Government. FEA is aware of the Department's position and that you are being instructed accordingly.

Receipt of full details would aid the Department in reaching a decision as to whether or not immunity should be waived in this case.

GREW

837.504/7-2745

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

No. 23

HABANA, July 27, 1945.

[Received July 31.]

SIR: I have the honor to transmit herewith, as of interest to the Department, copy of a memorandum prepared by a member of the Embassy staff⁴⁰ . . .

Respectfully yours,

For the Ambassador:

JAMES H. WRIGHT

Counselor of Embassy

³⁹ Not printed.

⁴⁰ Special Assistant Eugene Desvernine.

[Enclosure-Extracts]

MEMORANDUM FOR THE AMBASSADOR

HABANA, July 26, 1945.

Embassy's Relations with the Cuban Government on Labor Matters.
In line with our Government's policy, the Embassy has made no attempt to intervene in labor conflicts affecting American firms, except where (1) an official agency of the United States Government is involved; (2) the conflict has a direct bearing on the war effort; or (3) adequate legal protection has not been given to American interests, or where such interests have been discriminated against.

In such cases, the Embassy, when appropriate, has made formal or informal representations to the Cuban Government, either through notes to the Foreign Office or through conversations with Government officials, including the President,⁴¹ the Minister of Labor, and others. On the whole, the cooperation which has been obtained from the Grau Government in these matters has not been very satisfactory.

Recent instances in which the Embassy has sought the cooperation of the Cuban Government in labor matters have involved (1) dismissals of workers by the United States Commercial Company Agency, an official agency of the United States Government, which has had to discharge workers by reason of the curtailment and final termination of its operations in Cuba. . . . (2) port workers' strikes and stoppages, which have delayed the dispatch of WSA⁴² vessels at Cuban ports; (3) protection for established American accountants and accounting firms in Cuba, whose continued practice in Cuba is threatened by a recent law and by the National Association of Public Accountants; (4) the Motembo case, involving an American naphtha mining firm which has thus far been denied permission to liquidate by the Cuban Government.

The last case will be further described for illustrative purposes. The American firm, which has been engaged in drilling and extracting naphtha gas in Motembo has been trying to liquidate and dispose of its equipment because of continuing financial losses. The Minister of Labor has failed to act on the company's long standing application for permission to liquidate. In addition, about one month ago, following a labor conflict in the area, the Cuban Government "in-

⁴¹ President Ramón Grau San Martín.

⁴² War Shipping Administration.

tervened" the firm and ordered all dismissed workers reinstated and production resumed. As a result the company has been suffering further financial losses and has been unable to liquidate. The Cuban Government has thus far failed to grant the company relief, in spite of numerous notes addressed by the Embassy to the Foreign Office on the subject and many conversations between officers of the Embassy and various Government officials.

Conclusion. While it is undeniable that most of labor's gains in Cuba are the result of their legitimate aspirations and that there is still much room for the economic improvement and greater security of the Cuban worker, the disquieting features of the labor movement at this stage are found in the growing ascendancy of the Communist labor leadership—with all the intangible implications of a Moscow dominated Communist movement—the passive and ineffective attitude of the Government with respect to labor excesses, an attitude which can be exploited by unscrupulous labor leaders, and the steep increase in labor costs in Cuba without an increase in labor efficiency, which augurs ill for the development of Cuban industry and for the competitive position of Cuba in the world market.

E[UGENE] D[ESVERNINE]

837.5043/10-3045

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

No. 319

WASHINGTON, December 11, 1945.

The Secretary of State refers to Despatch No. 402, dated October 30, 1945 ⁴³ entitled "With further reference to proposed organization of anti-Communist labor movement in Latin America." The despatch requests the Department's comment on certain suggestions made by Mr. Juan Arévalo, Cuban labor leader, that the U. S. Government through the Department of State and Diplomatic Missions grant assistance to his project of launching in Latin America an anti-communist labor movement that would also have the sponsorship of the American Federation of Labor.

The Department finds itself in agreement with the Embassy that such intervention in the labor affairs of other countries is both dangerous and contrary to policy.

⁴³ Not printed.

DOMINICAN REPUBLIC

POLICY OF THE UNITED STATES TO AVOID ACTION WHICH WOULD CONSTITUTE AN ENDORSEMENT OF THE TRUJILLO ADMINIS- TRATION¹

839.00/1-345

*The Ambassador in the Dominican Republic (Briggs) to the
Secretary of State*

[Extracts]

No. 609

CIUDAD TRUJILLO, January 3, 1945.

[Received January 17.]

SIR: I have the honor to refer to my secret despatch no. 70 of July 5, 1944² entitled "Estimate of the situation in the Dominican Republic; recommended United States policy with respect thereto," and respectfully to invite the Department to review the points set forth in that despatch together with certain comment contained herein, designed to bring my conclusions up to date. Despatch no. 70 was prepared after approximately four weeks at this post, and I have now been in Ciudad Trujillo for over seven months; both as a matter of year-end review and because of the nature of the comments and recommendations made last July, I consider that a reappraisal of the situation may be helpful and desirable.

In every important and essential respect my conclusions are identical with those set forth last July; and the experience acquired subsequent thereto, far from modifying my views in the premises, has served merely to strengthen and reinforce them.

.....
Last July it will be noted that I took a somewhat pessimistic view of the long-range prospects of Dominican-Haitian relations pointing to the racial, historical and economic antipathies involved. I continue of that opinion, and consider that relations with Haiti are rarely "satisfactory" but tend to oscillate between "bad" and "worse". They are currently exacerbated by President Lescot's³ reported belief, of which the Dominicans are now aware, that President Trujillo⁴ was behind

¹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 1013 ff.

² *Ibid.*, p. 1015.

³ Elie Lescot, President of Haiti.

⁴ Rafael Leonidas Trujillo Molina, President of the Dominican Republic.

the assassination plot discovered in Port-au-Prince approximately three months ago, which plot was given publicity by *Newsweek* in its edition of December 11, 1944.

It remains my opinion with respect to Dominican-Haitian relations that:

A. They are the primary responsibility of the two Governments directly concerned.

B. So long as Trujillo and Lescot are respectively the Chiefs of State, no real improvement in relations may be anticipated.

C. While it is easy to make the statement contained in A. above, it should nevertheless be mentioned that recognition of the fact of the primary responsibility of the two countries for keeping the peace does not *per se* constitute any great advance toward solution of their problem. The United States and the other nations of the hemisphere might well give consideration to this thought, even though the only concrete suggestion of which I am aware, advanced recently by the Dominican Foreign Minister⁵—namely that the other American Republics should absorb through immigration surplus Haitians thereby removing the population pressure from the frontier—does not strike me as at all likely of realization.

With the reservation that any unexpected spark (such as the recent assassination plot) is capable of producing conflict, it is my estimate that a clash between Haiti and the Dominican Republic does not seem imminent. Should a clash occur (or appear to be about to occur) it is believed that the quarantine proposal advanced by President Roosevelt (mentioned in despatch no. 70, page 4, paragraph 4) would be in order. This however would represent an effort to cope with an immediate crisis; it would not be a solution of the underlying causes of that crisis.

Turning to Dominican-American relations, the recommendations in despatch no. 70 were based on the premise that although Trujillo's dictatorship represents the negation of many of the principles to which the United States subscribes (to say nothing of the principles of the Atlantic Charter),⁶ nevertheless promotion of his overthrow is not the responsibility of our Government, nor would such action be consistent with our present commitments regarding non-intervention. This estimate still appears to me to be entirely sound, as do those contained in the next following paragraph of despatch no. 70 to the effect that we should not permit ourselves to be misrepresented as approving of the Trujillo dictatorship or of Trujillo's methods.

⁵ M. A. Peña Batlle.

⁶ Joint Declaration by President Roosevelt and British Prime Minister Winston Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.

In this connection I sense a growing interest (especially in the countries where Dominican exiles are active) on the part of liberal elements in those countries in internal conditions in the Dominican Republic, and the relevance thereof to the principles for which the United Nations are fighting.

Finally, my recommendations were based on the premise that the only relationship which we can properly maintain must be that of respect—self-respect and mutual respect—and that we must not only continue to be scrupulously honest in dealing with the Dominican Government, but we must demand and obtain honesty from that Government in all its dealings with us.

I should like in the balance of this despatch to discuss the application of insistence upon Dominican Government fulfillment of its obligations, and its effect on relations with the United States, as illustrated by various developments in which the Embassy has participated during the past six months.

1. The Food Purchase Program:

Please see despatch no. 607 of January 2, 1945⁷ and previous correspondence. Under the Food Purchase Program our Government has spent upwards of \$2,200,000 to buy the exportable surplus of such Dominican commodities as rice, corn, cattle, frozen beef, et cetera. This exportable surplus has been produced largely if not solely because of our agreement to buy. The program as announced had two principal objectives, to obtain supplies for allocation to food-importing areas in the Caribbean on a non-profit basis in accordance with ascertained needs, and to improve the position of the small farmer (*campesino*) class in the Dominican Republic. The Dominican Government made certain commitments in regard to the program which up to my arrival last May had not been fulfilled. Discussions were promptly undertaken with a view to fulfillment, particularly of the important provision that the price schedule should be published as a matter of general information and especially for the information of producers. Insistence on this point resulted in publication of the tariff on July 8, approximately three weeks after my first discussion of the matter with President Trujillo. The Dominican Government was obviously reluctant to publish the prices, the presumption arising that this might narrow the profitable spread between prices paid to farmers and prices paid by our Government, and also because certain favored officials and others were planning to reap large profits therefrom and from internal transportation and processing.

⁷ Not printed.

The rectitude of Mr. McArdle, FEA⁸ Representative in the Dominican Republic, and in particular his refusal to countenance any irregularity on the part of those from whom he purchased led to complaints last November that McArdle was "unfriendly", and to the allegation made on December 15 that he had violated the agreement through the payment of certain commissions. The Embassy insisted upon a full ventilation of the facts with the result that the Dominican Foreign Minister withdrew the charges, stated that Mr. McArdle had proceeded correctly throughout, and expressed regret that the question had been raised by his Government. The Embassy's handling of this matter has greatly fortified Mr. McArdle's position, and has had a perceptibly beneficial effect on our general position in dealings with the Dominican Government.

2. Injunction to American citizens on the subject of corrupt payments (graft and bribes), and participation in domestic Dominican political matters:

Please see despatch no. 451 of October 27⁹ and previous correspondence. As previously indicated it is believed that the record for probity of American companies in the Dominican Republic has in general been good. Nevertheless, it had previously been the practice for American citizens and companies to be "invited" to make contributions to the Partido Nacional Dominicano, the sole political party in the country, the activities of which are principally (if not exclusively) concerned with the deification and indefinite maintenance in office of President Trujillo.

Observing on my return from leave on October 23, 1944, that a campaign had been started a few days before for the re-election of President Trujillo (notwithstanding the fact that his present term does not expire until May 1947), I took up with the President the establishment of the policy of non-participation by Americans in Dominican political matters, explaining to him that the matter was one of principle, and that non-participation by Americans appeared to me to be an inescapable corollary both of the policy of respect for one's neighbor which is the foundation of the Good Neighbor Policy, and of the policy on non-intervention to which, pursuant to the Good Neighbor Policy, my Government is committed by treaty.¹⁰ The President made no dissent. Americans were informed accordingly, and insofar as I am aware they are now abiding by the injunction in

⁸ Foreign Economic Administration.

⁹ Not printed.

¹⁰ Additional protocol relative to non-intervention, between the United States and the other American Republics, signed at Buenos Aires, December 23, 1936; for text, see Department of State Treaty Series No. 923, or 51 Stat. 41.

question. They are neither contributing to the campaign funds of any political party, nor lending their names or the names of their companies to re-election petitions. In short they are for the first time in recent Dominican history declining to intervene in the domestic political affairs of this country.

Although President Trujillo accepted without comment last October the establishment of this policy, I have reason to believe that he is by no means enthusiastic over it at this time, partly because of the prestige value of having the support of American citizens and companies pledged to him, and partly because of the financial support involved. The fact that he is the only candidate may likewise contribute to his attitude.

Regardless however of the superficial popularity or unpopularity of the policy, its suspension would not in my opinion be productive of respect. Further, I believe that an endorsement in some public way by the Department of the policy of non-participation by American citizens in the domestic political affairs of foreign countries would be definitely helpful, and would strengthen the hand of this and perhaps other missions in this area in future dealings with the Governments to which they are accredited. (I am of course aware of and was deeply gratified by the support of the Department in this connection when the Dominican Chargé d'Affaires ¹¹ last autumn apparently sought to imply that the policy was merely my personal one, without official backing in Washington.)

3. Attitude of the Dominican Government toward the completion of the International Highway:

The position has been maintained throughout my service at this post that the agreement entered into shortly after my arrival last June for the completion of the highway at an agreed-upon cost to be defrayed by our Government, meant that the Dominican Government would forthwith allocate equipment and build the road. It has not to date done so; on the contrary the Dominican Government has constantly avoided fulfilling its commitments and has taken no effective steps to complete the remaining fifty miles to the Haitian border, although it is busy building and improving highways in other parts of the country. I concluded that it would be undignified (that is to say not in accord with our self-respect) for our Government further to urge the Dominican Government to spend our money to build their road, and that the Dominican Government should accordingly be informed that—should the road not be completed within a reasonable and specified period—the offer of funds would be withdrawn.

¹¹ J. R. Rodriguez, Minister Counselor at Washington.

The Department's support of this position should serve to bring matters to a satisfactory conclusion: either the Dominican Government will within the stipulated period of eight months build the road, or the credit of \$65,000 of our Government's money will be released for use elsewhere.

4. Distribution by the Dominican Government of commodities important to the war effort and in restricted supply:

The Embassy submits that when our Government subtracts from the amount of a given commodity available for war use a proportion for civilian use in any foreign country, the responsibility of our Government does not end with the making of the allocation and the release of the order for shipment abroad. It is my belief that our Government has a proper and legitimate further interest, which extends to the honest distribution of that commodity in a foreign country, and that when evidence has been adduced that such distribution abroad involves a substantial degree of corruption, profiteering, or inefficiency, the problem should be brought to the attention of the foreign government concerned, and if not corrected should affect future allocations by the United States.

An effort to interest the Department in this principle with respect to the gross abuses involving the sale of Amierian [*American*] lard in the Dominican Republic last July was not successful. The matter is again being raised in connection with a far more important commodity, namely tires, and the Department's decision in the premises will be eagerly awaited. (Aside from the principle involved, I may mention that our continuing to furnish tires for distribution under present conditions is building up resentment against—and lack of respect for—the United States on the part of the Dominican consuming public. This may well be converted into hostility against American tires and other export products, once the war is over.)

5. Payment of Dominican Lend-Lease account.¹²

The Dominican Government had been in arrears since July 1943 with respect to a \$300,000 Lend-Lease account, and since July 1944 with respect to a \$142,000, account, the total (\$442,000) representing our bill to the Dominican Government for arms, munitions, et cetera, valued by our Government at approximately \$790,000.

The Dominican Government showed no eagerness to pay this bill which was referred last November to the Embassy in Ciudad Trujillo, after unfruitful correspondence between the Department of State and the Dominican Embassy in Washington. Several discus-

¹² For policy on the settlement of Lend-Lease accounts in the American Republics, see pp. 231 ff.

sions of the matter with the Dominican Foreign Minister were required in order to obtain payment, which was finally made by check transmitted to the Dominican Embassy in Washington by the Dominican Treasury Department on December 29 last.

It will be recalled in connection with the account that when I first mentioned it to the Dominican Foreign Minister, he sought to retire behind allegations of "more generous treatment of Haiti" by our Government. Although our financial transactions with Haiti patently have no connection whatever with Lend-Lease acquisitions by the Dominican Government, it required several subsequent conversations—coupled with courteous insistence upon recognition of the facts of the Dominican commitment—to induce the local government to meet its obligation.

6. President Trujillo's effort to mediate difficulties between the Argentine Republic and the United States:

President Trujillo's desire to play a prominent role in inter-American relations (presumably for the purpose of fortifying his international position) led him last August to propose to our Government the utilization of Trujillo's good offices in endeavoring to improve Argentine-American relations. This proposal, which ignored both the fact that the problem results from Argentina's failure to abide by its commitments and the further fact that this failure is a matter of concern to all twenty of the other American Republics,¹³ obviously lacked merit *per se* and the Embassy while agreeing to the Foreign Minister's insistent request that it be transmitted to Washington, gave no indication that it would be received favorably there. The Dominican Government was nevertheless apparently irritated by our Government's reply and the Foreign Minister shortly thereafter made a trip to Washington, where he implied that my failure to make an adequate presentation of the situation was responsible for its lukewarm reception by the Department. The Department's explanation of its position in the matter, along precisely the lines already set forth by me on the Department's behalf, resulted in the Dominican Government's immediately abandoning the project. The Department's attitude of support for what I had already said had the further effect of facilitating discussions with the Dominican Government in connection with subsequent Argentine and inter-American matters.

7. Efforts of the Dominican Government to refund the foreign debt:

For approximately a year the Dominican Government has been announcing in vague but confident terms its intention to retire the foreign debt—a perfectly legitimate aspiration which testifies to the strength

¹³ For documentation on the position of the United States, see pp. 366 ff.

of the Government's financial position and the competent administration of Dominican Government funds by the Trujillo Government. However it may be recalled that upwards of 25 percent of the par value of the approximately \$12,000,000 outstanding is held in the Dominican Republic, and a part of the proposal is to force the holders of this portion of the debt (including a number of American Companies operating here) to cancel their 5½-percent existing bonds, secured by the Hull-Trujillo Treaty,¹⁴ for a domestic Dominican issue, presumably at a substantially lower rate of interest. Moreover as the plan developed it likewise involved a proposal to have two large American sugar companies with headquarters in New York City act as guarantors of a refunding loan. The Department's observations on the latter phase of the operation resulted in the cancellation of the plan in question. This produced some transitory irritation in Ciudad Trujillo, but has in my opinion increased the respect of the Dominican Government for the American Government. The former has recently approached the Embassy in a somewhat more realistic frame of mind, which it is hoped may favorably affect future loan negotiations.

Returning to my secret despatch no. 70 of July 5, 1944, I wish to call attention to the paragraph stating that "insistence upon honesty on the part of the Dominican Government in its dealings with us is absolutely essential to our relations and to our self-respect," and expressing the view that regardless of whatever his personal feelings may be, President Trujillo cannot effectively oppose such a policy. It was pointed out that cordial official relations with the United States represent an important weapon in the arsenal whereby Trujillo maintains his dictatorship, since there would be few developments so comforting to his enemies both in the Dominican Republic and without, as the belief that the American Government does not view the present Dominican administration with favor.

Trujillo, as I declared in that despatch, is a Dominican problem, for solution by the Dominican people. But in our estimate of his government it cannot be ignored that Trujillo rules the Dominican Republic by fear, based on his demonstrated willingness—on the record—to employ sudden, ruthless and repressive measures against any individual who opposes him. He has established that record with

¹⁴ Convention between the United States and the Dominican Republic modifying the convention of December 27, 1924, respecting the collection and application of the customs revenues of the Dominican Republic, signed at Washington September 24, 1940. For text and accompanying exchanges of notes, see Department of State Treaty Series No. 965, or 55 Stat. (pt. 2) 1104.

abundant proof insofar as the citizens of this country are concerned, and the shadow of apprehension lies across the land. Dominicans gathered together speak with caution, and the sound of laughter is rarely heard on the streets of the capital. The most representative gesture of a Dominican citizen is looking over his shoulder to see whether he is being overheard. Freedom of the press and expression exist only in the memory of Dominicans antedating the "Era de Trujillo" (as public buildings constructed since 1930 are conspicuously labelled). Freedom from want is enjoyed by the President and his family and his friends, but by a very small percentage of the general population.

A dictator of the character of Trujillo—hard, competent, corrupt, ruthless and unbelievably vain—has no more use for appeasement in his international relations than in the personal relations between himself and the sycophants with whom he has surrounded himself in the Government. While as indicated in previous correspondence, Trujillo is probably not without patriotism, this is often expressed in terms of personal pride in his possessions—the Dominican Republic and all that therein is representing the possessions. An ounce of respect from such an individual is worth more than a cargo of superficially friendly expressions, as was well illustrated when on two separate occasions within the past six months I forestalled deliberate efforts to frame members of the Embassy staff in this capital.

In my despatch no. 70 last July, following four weeks of close study of the Dominican situation, I stated that

"The fact that Trujillo has declared himself to be 'on our side' in this war, and that he is collaborating with us in certain international matters, should not blind us to the realities of his domestic administration nor to the implications within the important area of our general international relations, of our doing business with Trujillo on any but our own carefully considered terms."

I declared further that in my opinion those terms should be based on fair and honest dealings and on unwavering insistence upon reciprocal integrity in the dealings of the Dominican Government with us. Finally, I said that in that way we would also be of the greatest benefit to the people of the Dominican Republic.

I should like to point out that my despatch no. 70 of July 5, 1944 ended with the recommendation "that the policies outlined . . . constitute my terms of reference at this post." In the absence of instructions to the contrary I have proceeded on the basis that the Department is in agreement with these views. Six months of additional service in the Dominican Republic have not served to modify the

opinions expressed last July, and I respectfully recommend that they continue to constitute the Department's policy in the Dominican Republic.

Respectfully yours,

ELLIS O. BRIGGS

839.00/6-1445

The Acting Secretary of State to the Ambassador in the Dominican Republic (McGurk)

No. 350

WASHINGTON, July 4, 1945.

SIR: Reference is made to your despatch no. 98 of June 7th¹⁷ concerning the visit of Licenciado José Antonio Bonilla Atilés¹⁶ to the Embassy in connection with his desire to ascertain the position of the Embassy and the Government of the United States toward the organization and activities of an opposition movement or movements which may arise as a result of President Trujillo's recent invitation to former political leaders to reform their parties and participate in the political life of the country.

The Department has also read with interest your despatch no. 116 of June 14th¹⁷ reporting on the visit of Mr. Francisco A. Henriquez y Vasquez¹⁸ to the Embassy. Your remarks to Licenciado Bonilla Atilés and to Mr. Henriquez y Vasquez, and your exposition to them of the non-interventionist position of this Government in matters pertaining to Dominican internal politics have its complete support. The Department also approves your intention to follow this policy in connection with future developments in the domestic politics of the Dominican Republic.

While the Department has no intention whatever of changing its position that there should be no unilateral intervention by any government in the internal or external affairs of other friendly countries, it also believes that it should be made clear on appropriate occasions that the United States does support democracy and democratic principles and hopes to see them prevail throughout the world. Chiefs of Mission must be the judges of how this best may be accomplished in the countries to which they are accredited. Reference is made in

¹⁶ Former Vice Rector of the National University and Dean of the University's School of Law, under surveillance for his known opposition to the Trujillo regime.

¹⁷ Not printed.

¹⁸ Twenty-five-year-old student of the University and scion of one of the most outstanding families in the Dominican Republic, who had recently been imprisoned for 8 days and was now seeking the Embassy's help in escaping from the country.

this connection to instruction no. 95 of November 1, 1944,²⁰ setting forth the views of the Department on this subject, as well as to the Department's secret circular instruction of May 28, 1945²² requesting further comment by certain diplomatic missions in the other American Republics on this matter in the light of despatch no. 9103 of April 5, 1945, from the Embassy at Habana.²²

Very truly yours,

JOSEPH C. GREW

810.20 Defense/10-1045

The Ambassador in the Dominican Republic (McGurk) to the Secretary of State

No. 382

CIUDAD TRUJILLO, October 10, 1945.

[Received October 18.]

SIR: I have the honor to enclose a copy of a letter dated September 8, 1945 (received October 2) from Lieutenant General George H. Brett, Commanding the Caribbean Defense Command and the Panama Canal Department, with which was transmitted a copy of the report²¹ covering the Army Phase of the Staff Conversations held with the Dominican authorities in Ciudad Trujillo August 7 to August 11, 1945. I also enclose a copy of my letter of October 5, 1945 to General Brett²² acknowledging the receipt of this report.

One observation I should like to stress is that apparently our Army officers have gone on the assumption that the present force of the Dominican Army (not including Navy and Air Force personnel), with a slight decrease of say three to four hundred men is the necessary figure on which to build a defensive unit. Although I am not at all schooled in military affairs I seriously question whether the present number of men in the Dominican Army, with a slight decrease, is the required force for such a program. If this is an arbitrary figure, why could not the figure of 3,000 down to 1,800 men be set as the one on which to build a defensive force? Of course the setting of any such arbitrary figure must be considered with the figure set in the Republic of Haiti.

In considering the needs for an army sufficiently large to maintain internal security while protecting the frontiers of the Dominican

²⁰ Identical with instruction 1391 on the same date to Managua, *Foreign Relations*, 1944, vol. VII, p. 1405. This same instruction was sent on the same date to all American diplomatic representatives in the American Republics.

²¹ Neither printed.

²² Not printed.

Republic, consideration should be given to what appears to be an abnormally large national police force which is maintained in this Republic along parallel lines with the Army. The budget for the National Police for 1945 was \$668,385.

In view of the fact that these Bilateral Staff Conversations covered by the report under reference are purely exploratory and involve no commitment of any kind, I believe that very careful consideration should be given in the Department from the political angle to any overture to carry out or implement these conversations in a practical way, the implication being that implementation would indicate support of the present regime. My recommendation is that any such action be deferred so long as the present dictatorship lasts. As stated above, consideration of this viewpoint must parallel that with respect to the Republic of Haiti. In this recommendation all of the members of the Embassy staff are in agreement.

However, in the event that for political reasons which in the end must be paramount, some commitment must be made to this present Government, it is recommended that such commitment be limited to a training battalion of some five or six hundred men and equipment therefor, mentioned as one of the organizational units in the report under reference.

There are enclosed a copy of a memorandum dated October 5, 1945 from Lieutenant Colonel Roger Willock, U.S. Marine Corps, Naval Attaché to this Embassy, and a copy of a memorandum dated October 6, 1945 from Major Thomas D. Burns, U.S. Army, Military Attaché to this Embassy,²³ setting forth their recommendations and opinions with regard to Army report.

Respectfully yours,

J. F. McGURK

800.24/10-2645 : Airgram

*The Secretary of State to the Ambassador in the Dominican Republic
(McGurk)*

WASHINGTON, October 26, 1945.

A-348. ReDeptCirInstruction Sept. 11, 1945, and enclosure.²⁴ War Dept has submitted program designed to equip suitable initial ground force units envisaged in staff conversations.

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BYRNES

²³ Neither memorandum printed.

²⁴ *Ante*, p. 5.

800.24/11-245 : Airgram

The Ambassador in the Dominican Republic (McGurk) to the Secretary of State

CIUDAD TRUJILLO, November 2, 1945.

[Received November 9.]

446. Reference Department's secret airgram A-348 of October 26 regarding initial ground force units envisaged in staff conversations. In this relation please see our secret despatch number 382 of October 10, 1945, especially the ante-penultimate and the penultimate paragraphs thereof. The Naval Attaché, the Military Attaché and the Embassy agree that unless the political factor is such that something must be done as outlined in the Department's secret airgram under acknowledgment, we do not favor the forwarding of any arms or munitions of this regime.

The program set forth for the Dominican Republic to consist of one infantry rifle company, one light field artillery battery, totalling approximately 280 to 351 men, including equipment of approximately 340 carbines, rifles, pistols, machine guns, sub-machine guns, might well constitute the initial unit envisaged in the standardization program provided there is some United States military personnel to supervise the proper use of this equipment for training. Such supervisory personnel might well be a small mission consisting of one officer of field grade and three or four non-commissioned officers. If such supervision is not furnished with this equipment we will merely be furnishing so many more weapons for distribution among various garrisons of the army in the Republic and the entire purpose behind the staff conversations will be lost, since no standardization of training, organization or equipment can be effected by furnishing the Dominican Army with a small number of weapons which will not be put to the proper end use envisaged in the standardization program of the staff conversations.

If we must go forward with the program and furnish equipment together with some sort of a military mission we strongly urge that a commitment be obtained from the Dominican Government that the equipment furnished will be used solely for training purposes and that the mission will supervise the use of the equipment for training as well as supervise and direct the training program.

We are unable to comment at this time on that part of the program pertaining to the Navy and to aviation as we are awaiting the formal findings of the Boards who handled those specific matters in the staff conversations here last August.

MCGURK

839.24/11-445 : Telegram

The Ambassador in the Dominican Republic (McGurk) to the Secretary of State

CIUDAD TRUJILLO, November 4, 1945—11 a. m.

[Received 4:13 p. m.]

431. Dominican Secretary of War ²⁵ Nov 2 called American Military and Naval Attachés to his office and asked aid in obtaining delivery 4 million rounds 30 calibre ball and 1,120,000 rounds other small arms ammunition requested on July 8, 1944, as Dominican long range requirements for 1945 under lend-lease. Attachés told him request should be made through Dominican Embassy Washington and Secretary said he would so do. Attachés stated they would inform their Depts of request. Nov 3 British Chargé was approached by intermediary of President Trujillo with request for 50,000 rounds Enfield ammunition. Chargé replied that if formal request were presented he would transmit it to London. He has informed his FonOff of matter.

For Embassy's attitude towards supplying munitions see despatch regarding staff conversations.²⁶

McGURK

839.24/11-445 : Airgram

The Secretary of State to the Ambassador in the Dominican Republic (McGurk)

WASHINGTON, November 16, 1945.

A-390. For the reasons indicated in the Department's circular telegram of October 6, 8 a.m.,²⁷ it will not be possible for the Dominican Government to obtain under lend-lease the ammunition mentioned in your telegram 431 of November 4, 11 a. m. You are requested when necessary to reiterate to Dominican officials this Government's current policy on lend-lease.

For your confidential information it is also the Department's policy to oppose for political reasons the shipment of arms and ammunition to the Dominican Republic at this time and the Department supports your opposition to such shipments as expressed in your despatch no. 382 of October 10 and your A-446 of November 2.

In this connection Winchester Repeating Arms Company called the Department on November 7 to state that it had received from the

²⁵ Hector B. Trujillo.²⁶ Despatch 382, October 10, p. 984.²⁷ *Ante*, p. 256.

Dominican Embassy a request for a quotation on the following quantities of cartridges:

500,000 caliber .45 for Colt automatic pistols
200,000 caliber .50 for machine guns
1,600,000 caliber .30/40 Krag
10,000,000 caliber .30/06
5,000,000 caliber 7 mm.

Winchester wished an informal expression of the Department's attitude on the issuance of the required export licenses prior to its undertaking the studies necessary to make a quotation. Winchester is being advised to inform the Dominican Embassy that the Embassy should take up with the Department any request it may wish to make for cartridges.

The Department has also received a call from the Remington Arms Company stating that the Dominican Assistant Military Attaché²⁸ had inquired of them as to the possibility of obtaining a total of 17,000,000 rounds of ammunition of various types. Remington requested the Department's views on the answer it should give the Attaché. The Department advised Remington to inform the Attaché that he should initiate a matter of this kind with the Department, and the Company stated that it would do so.

For your information any requests for arms and ammunition made of the Department by the Dominican Embassy will be rejected, in conformity with the policy stated in the second paragraph of this airgram.

The Department is informing the Embassy at London of the information in your telegram of November 4 that the British Chargé was approached for 50,000 rounds of Enfield ammunition. The Department is requesting that the Embassy informally advise the British Foreign Office (1) of the Dominican Government's request of this Government for a much larger amount of ammunition; (2) of this Government's intention not to supply arms or ammunition to the Dominican Government at the present time because they could only be used against the Dominican people or Haiti; and (3) of this Government's interest in knowing whether the British will also refrain from furnishing arms and ammunition in the interests of peace in Hispaniola.

Please keep the Department informed regarding all efforts by the Dominican Government to obtain arms and ammunition that may come to your attention.

BYRNES

²⁸ Capt. Amado Hernandez P.

839.00/11-1945: Telegram

*The Chargé in the Dominican Republic (Scherer) to the
Secretary of State*

CIUDAD TRUJILLO, November 19, 1945—3 p. m.

[Received November 20—2:42 a. m.]

455. At meeting November 17 attended by Peña Batlle, Ortega Frier (President's legal adviser), Kilbourne, Hennessey, Walter Fox of local sugar controls, and myself, President Trujillo requested assistance from sugar interests in combatting Communism. Companies should act as intelligence agencies in transmitting to President personally direct by telephone information concerning individuals or incidents in connection with Communistic activities. President stated emphatically he would never permit Communism to get the upper hand in this country. With Kilbourne as spokesman, sugar interests mentioned much labor difficulty brewing at present among sugar workers and possibility that 1946 crop might be substantially reduced if agitation gets out of hand. I pointed out that the basic policy of the United States Government, which I said had been made known already and definitely on numerous occasions, is disapproval of any American companies which engage in political activities in foreign countries. Kilbourne said his company²⁹ is Dominican and other sugar men at meeting indicated understanding of my statement, but probability that they would carry out President's request. Subsequently the three sugar men called at the Embassy mentioning they are in difficult position since labor agitation might develop to such an extent as to endanger the harvest. In addition they recognized of course it is actually the opposition rather than Communism which Trujillo is trying to stamp out.

I repeated our position on American companies engaging in political activities abroad, and Kilbourne expressed belief he would probably not have to turn in any names to the President. (I do not follow his reasoning in this connection as it appears evident that President will require performance, now that Kilbourne has indicated he will carry out his wishes.)

All three men stated they do not engage in local politics nor will they change their views in this regard.

Hennessey and Kilbourne became involved in discussing possible provisions of a proposed labor law, which they hope will be promulgated soon as they consider it would ease labor situation. Hennessey said his company is prepared to start work almost at once on an 8-

²⁹ West Indies Sugar Company.

hour day, that his labor is arranged, there are enough quarters, et cetera. Kilbourne and Fox plan to continue with a 12-hour day as previously. It may be that Hennessey's change from a 12-hour day to 8 hours has caused the need for additional workers and hence the importation of Haitians.

It might be advisable for Embassy to address identical letters to Hennessey, Kilbourne and Fox reiterating our policy on political meddling by American companies in order to be clearly on the record. Department's cabled instructions are accordingly requested.

SCHERER

839.24/11-2645 : Airgram

The Chargé in the Dominican Republic (Scherer) to the Secretary of State

CIUDAD TRUJILLO, November 26, 1945.

[Received November 30—3:56 p. m.]

A-481. Reference is made to the Department's airgram, A-390, of November 16, 1945 regarding the Dominican Government's interest in obtaining small arms ammunition. In its airgram the Department pointed out the Government's general attitude towards the furnishing of Lend-Lease supplies at this time and the particular considerations which obtain in the case of the Dominican Republic.

This request for ammunition made by the Dominican Government has been discussed with the recently arrived British Minister.³⁰ He states that he has received an instruction from his Government that, following an informal exchange of views with the American Embassy in London, the British Government has decided that it is not prepared to supply arms or ammunition to the Dominican Government under the existing circumstances.

SCHERER

839.00/11-2845 : Telegram

The Secretary of State to the Chargé in the Dominican Republic (Scherer)

WASHINGTON, November 28, 1945—5 p. m.

351. Urtel 455, Nov. 19, 3 p. m. As suggested by you please address identical letters to the sugar companies concerned setting forth in the strongest terms Depts position that any American businessman or company engaging in political activities (including the making of

³⁰ Russell Duncan Macrae.

campaign contributions whether in the firm's name or by an American citizen as an individual) need expect no assistance from the Dept or from our diplomatic missions abroad. You should make clear that in the opinion of this government assistance of the type requested of the companies by Trujillo constitutes such participation. You should refer in your letters to the restatement of this policy by Assistant Secretary Braden in his speech before the National Foreign Trade Convention at New York on November 14, a copy of which has been sent you.³¹

BYRNES

839.00/12-1145

The Chargé in the Dominican Republic (Scherer) to the Secretary of State

No. 527

CIUDAD TRUJILLO, December 11, 1945.

[Received January 2, 1946.]

SIR: I have the honor to refer to the Embassy's telegram no. 475 of December 8, 1945³² with reference to an interview with President Trujillo and others at the National Palace on December 7 concerning the President's request to certain American sugar companies operating in the Dominican Republic to engage in informational activities.

On receipt of the Department's telegram no. 362 of December 5, 1945³² an appointment was made at my request to See President Trujillo at noon on December 7. When I arrived at the Palace, Mr. E. I. Kilbourne, of the West Indies Sugar Company, was in the President's waiting room and he remained there during the early part of the conversation between the President, Foreign Minister Peña Batlle and myself.

I recalled to the President our meeting of November 17 in his office, at which time I outlined the Department's policy concerning non-interference in local political affairs of other countries by American individuals or companies. I added that the Department of State had instructed the Embassy to address letters restating this policy to the three sugar companies whose representatives had attended the previous meeting and I wished to have the President know of that action. I then reviewed in brief the contents of the identical letters which have been sent to Messrs. Fox, Kilbourne and Hennessey (copy enclosed³²). The President said that he had no idea of asking Ameri-

³¹ For text of speech, see Department of State *Bulletin*, November 18, 1945, p. 793.

³² Not printed.

can interests to become involved in Dominican politics; in fact, his two basic policies in this connection with American companies are (1) to keep them from engaging in local Dominican politics and (2) to assist them to operate successfully as far as he can.

The President continued that his request of November 17 to the sugar companies was merely for the purpose of obtaining information as to any interruption of work to which they might become subject. He then called Mr. Kilbourne, who had obviously been informed of the meeting in advance. Mr. Kilbourne stated that he would be glad to get such a letter from the Embassy as it would enable him and his associates to clarify the situation. He said that his company has not engaged in political activities in the Dominican Republic, nor does he know of a single instance of any American company's making any campaign contribution here. He stated that his company's policy is to support the administration in power, whatever it may be.

Up to this point no one had mentioned the fear of Communism which had played such an important part in the meeting of November 17. Consequently, I stated to the President that it was his mention of Communism then which led me to restate the Department's policy on political interference by American companies. The President brushed my statement aside by saying that he did not intend to specify communists only in connection with the interruption of work at sugar Centrals. He is interested in learning of such interruptions, whatever the cause may be.

Peña Batlle then spoke up, saying that the Government would make every possible effort to see that the sugar crop is ground since Government finances depend to such a large extent on revenues from sugar operations. In fact, without these revenues the Foreign Minister said the Trujillo government would fall.

At the end of the conversation President Trujillo reiterated his two basic points, that of non-interference in domestic politics by American interests, and his firm support of them in carrying on their activities. It appears certain to me now that both the Dominican Government and the American sugar companies operating here well understand the view of the United States Government in this connection. There is still room for doubt, however, as to what the American companies will do. After the meeting at the palace, Mr. Kilbourne came to the Embassy and among other things said he had not had

to report any individuals to the President so far. He stated that he would follow all proper requests of the Trujillo government as long as it is in power. Mr. Kilbourne explained that his company's policy of supporting the Government consisted of obeying its laws, but the Embassy strongly suspects that at times the support takes on a more positive form. He said he would study with great interest the Embassy's letter and would present his reply in person.

The Embassy will endeavor to keep close watch over developments and inform the Department promptly.

Although I have had only two interviews with the President, I was impressed by his equanimity. If he is apprehensive as to his future, he has given me no sign whatsoever. He appears to be confident, serene and smiling. His associates are not so composed, however, and both Peña Batlle and Emilio García Godoy, the Dominican Ambassador at Washington, appear to be nervous and concerned.

Respectfully yours,

GEORGE E. SCHERER

839.24/11-2945

*The Acting Secretary of State to the Dominican Ambassador
(García Godoy)*

WASHINGTON, December 28, 1945.

EXCELLENCY: I have the honor to refer to your Embassy's note, no. 4488, dated November 29, 1945,⁸⁴ enclosing a list of cartridges and other equipment which the Winchester Repeating Arms Company has informed your Embassy it is in a position to supply to the Dominican Government, provided an export license can be obtained from the Department.

This matter has been given due consideration in the Department and it has been determined that the exportation of the ammunition in question would be contrary to the national interest. I regret, therefore, to inform you that an application for license to export the ammunition cannot be given favorable consideration.

Accept [etc.]

For the Acting Secretary of State:
SPRUILL BRADEN

⁸⁴ Not printed.

839.24/11-2945

*The Department of State to the Dominican Embassy*AIDE-MÉMOIRE ³⁵

The Department's note of today's date informed the Dominican Embassy that it will not be possible for this Government to grant the necessary export permits for the ammunition requested in the Embassy's note of November 29, 1945.³⁶

This decision was taken only after extended and careful consideration of the many factors involved. In the first place, it was felt that the large amount of ammunition sought by the Dominican Government could be used for only one of two purposes: either against a neighboring republic or against the people of the Dominican Republic; in neither case would the furnishing of these munitions contribute to the cause of peace on the Island of Hispaniola. In the second place, it would not appear that the supplying of these munitions is essential to hemisphere defense. Finally, it does not appear that such action would be conducive to the development of democracy and freedom in the New World, but rather that it might tend to subvert the objectives for the attainment of which so much blood and treasure have been expended by the United Nations.

The Government and people of the United States necessarily have a warmer feeling of friendship for and a greater desire to cooperate with those governments which rest upon the periodically and freely expressed consent of the governed. This Government has over the past years observed the situation in the Dominican Republic and has been unable to perceive that democratic principles have been observed there in theory or in practice. The foregoing conclusion is based upon the lack of freedom of speech, freedom of the press, and freedom of assembly, as well as upon the suppression of all political opposition and the existence of a one-party system. To furnish large amounts of ammunition in the face of such a situation might be held to constitute both intervention in the internal political affairs of the Dominican Republic and support for the practices just mentioned.

In the opinion of the Government of the United States, the foregoing observations constitute sufficient reason to refuse to furnish the arms and ammunition requested.

WASHINGTON, December 28, 1945.

³⁵ By instruction 477, December 28, 1945, the Department directed the Chargé in the Dominican Republic to hand a copy of this *aide-mémoire* to the Dominican Foreign Minister, to impart its contents to him orally, and to inform him that the *aide-mémoire* had been handed to the Dominican Ambassador in Washington (839.24/12-2845).

³⁶ Not printed.

711.39/12-2845

Memorandum of Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] December 28, 1945.

Participants: Ambassador García Godoy of the Dominican Republic
Assistant Secretary Braden
Ambassador McGurk
Mr. Cochran, CCA

The Dominican Ambassador called this afternoon at the Department's request. Mr. Braden delivered to him the Department's note of today informing him that the United States would be unable to approve the shipment to the Dominican Republic of the large quantity of ammunition which the Dominican Embassy had recently requested. At the same time, Mr. Braden said that he believed in the old adage "las cuentas claras hacen buenos amigos" and, therefore, with entire frankness, wanted to make clear the reasons why we had taken this attitude. He then touched briefly on the various points set forth in the *aide-mémoire*, also dated today, which was then also handed to the Ambassador.

The Ambassador commented that as regards the possibility that the munitions would be used against Haiti, this would be poor business for the Dominican Republic and intimated that no such intention was held. Mr. Braden observed that indeed it would be "poor business". The Ambassador charged that the Dominican Republic had never taken aggressive action against Haiti but that all the troubles between the two countries had invariably sprung from Haitian attacks. As regards the possible use of the arms against the Dominican people, he remarked that this was not necessary. Sr. García Godoy observed that democracies varied, that the United States in the South denied the vote to negroes, and that democracy in Santo Domingo was gauged to the necessities of that situation.

Mr. Braden went on to say that there were two other matters on which he wished to touch: First, he referred to various occasions on which Dominican officials had handled official matters directly with other agencies of the Government without going through the Department. He gave the Ambassador to understand that these comments applied to officials who come up from the Dominican Republic rather than to the personnel of the Embassy, but made clear our desire that, in order to avoid misunderstandings and confusion, all official matters should henceforward be channeled through the Department of State in the customary and appropriate way. Second, Mr. Braden remarked upon certain comments made by the Dominican Foreign Minis-

ter to Mr. Scherer with regard to allegedly improper activities on the part of certain members of the personnel of our Embassy in the Dominican Republic, and said that these charges had been found to be without foundation. The Dominican Ambassador commented that he understood that certain of the personnel of the Embassy in Ciudad Trujillo had been engaging in improper activities. Mr. Braden said that an investigation had established that such is not the fact, and Mr. McGurk confirmed his statement. The Ambassador asked whether this had been brought to the attention of the Foreign Minister in a memorandum and was informed that Mr. Scherer had discussed the matter orally with the Foreign Minister. He asked when this incident had taken place, and was informed that it was within the last two or three weeks.³⁷

The Ambassador adverted once more to the *aide-mémoire*, which he said would create a very bad impression in Ciudad Trujillo. He expressed the wish that we had simply presented him with the note. He apparently hoped that the *aide-mémoire* would be withdrawn. When such action was not forthcoming, he commented that we seemed to be passing judgment upon internal political conditions in the Dominican Republic. Mr. Braden replied that such was not our object at all. On the contrary, on the basis that plain speaking makes good friends we had felt it desirable to make clear the reasons which prompted us to refuse the request for ammunition. To have done any less might have left President Trujillo under misconceptions as to the reasons motivating our decision.

The Ambassador reiterated his feeling that the *aide-mémoire* would have a very bad effect in the Dominican Republic and said that it would result in his resignation as Ambassador, particularly since, as he had previously stated, he is writing a book touching on democracy, and it is essential that he not be handicapped by the discretion in expressing his views which would be essential were he to continue as Ambassador. Mr. Braden was prompt in replying that we would, of course, lament the Ambassador's resignation because of our warm personal feeling for him. The Ambassador claimed that there were soon to be elections in the Dominican Republic which would be the freest in the history of the hemisphere, although he observed "there will not be two parties since the opposition is so impoverished in competent men that they have no acceptable candidates and therefore will present no ticket". Mr. Braden expressed his hope that these elections would be fair.

³⁷ The discussion took place on the morning of December 10.

The Ambassador then went on to discuss the cooperation which the Dominican Republic had extended to the United States. He said that he was this afternoon to sign the Bretton Woods Agreement³⁸ and that the Dominican Republic had recently increased its contribution to UNRRA.³⁹ He averred that this was one only out of a desire to cooperate with the United States, since the Dominican Republic could gain no benefit from either one. Mr. Braden pointed out that the UNRRA agreement had a charitable aspect, that we could not sit idly by and see hundreds of thousands, if not millions, of people in Europe starve to death and that any steps taken to alleviate such suffering must inevitably redound to the benefit of all countries. Similarly, he said that Bretton Woods must bring definite and tangible benefits to all the countries of the world. The Ambassador again commented that the United States, despite our terrifically high taxation, had taken the leadership in these two fields and that the Dominican Republic had been happy to follow that leadership.

The Ambassador asked if any arms had been supplied to Haiti, and was informed that Haiti had not requested or received armaments in recent months.

**AGREEMENT BY THE DOMINICAN GOVERNMENT TO GRANT TO
PRIVATELY OWNED AIRCRAFT OF UNITED STATES REGISTRY
GENERAL PEACETIME RIGHTS OF INNOCENT PASSAGE AND LAND-
ING WITHOUT PREVIOUS AUTHORIZATION**

[On December 14, 1945, the Chargé in the Dominican Republic, George E. Scherer, reported in despatch 537 from Ciudad Trujillo that after a number of conversations between representatives of the United States Embassy and the Dominican Department of State for Foreign Affairs, "that Department has now transmitted to the Embassy its note no. 30439 of December 12, 1945 granting to privately owned aircraft of United States registry the general rights of innocent passage over Dominican territory and of landing in Dominican territory without previous authorization." This despatch and related documentation are filed in the Department of State under 710.F Commercial Aviation.]

³⁸ For text of the Bretton Woods Fund and Bank agreements, signed by García Godoy in Washington on December 28, see Department of State Treaties and Other International Acts Series No. 1501, or 60 Stat. (pt. 2) 1401. For documentation concerning the Bretton Woods Conference, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

³⁹ United Nations Relief and Rehabilitation Administration. For documentation concerning this organization, see vol. II, pp. 958 ff.

ECUADOR

ENTRY OF ECUADOR INTO A STATE OF BELLIGERENCY WITH THE AXIS POWERS AND ADHERENCE OF ECUADOR TO THE UNITED NATIONS DECLARATION

740.0011 EW/1-1745 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 17, 1945—3 p. m.

[Received January 18—1:25 p. m.]

47. The President ¹ called me to his house this afternoon and informed me that on account of the demonstrations which occurred yesterday (my 43, January 17, 10 a. m.²) he had been unable to take the action reported in my 40, January 15, 7 p. m.³ He has, however, called a meeting of the Cabinet this afternoon at 4 p. m. to discuss the matter. He was especially anxious to know what contributions would be asked of Ecuador should it declare a state of war. I read him Department's telegram 39, January 12, 3 p. m.⁴ stating that no further material contribution would have to be made. I then explained at some length the advantages which would accrue to Ecuador as a result of the action we were suggesting. The President seemed impressed and then stated he felt that a declaration of war on the part of Ecuador should date from December 7, 1941. I told him I thought this would be an excellent idea. He then inquired whether our present suggestion was linked with the status of the Galapagos.⁵ I explained it was entirely apart from that question. He then inquired regarding the status of our negotiations regarding the Galapagos and I stated I was waiting for the Minister for Foreign Affairs⁶ to commence conversations and that I was at his disposal at any time for that purpose. The President said that he had wished that the Minister would accelerate this matter and that he would so instruct him at the Cabinet meeting this afternoon. He added that

¹ José Maria Velasco Ibarra.

² Not printed.

³ Not printed; in this telegram the Ambassador reported on his conversations regarding the desirability of an Ecuadoran declaration of war (740.0011 EW/1-1545).

⁴ See telegram 43, January 12, 3 p. m., to Lima, and footnote 1, p. 1312.

⁵ For documentation on this subject, see pp. 1007 ff.

⁶ Camilo Ponce Enríquez.

he thought a speedy settlement of the Galapagos matter, after which the true facts could be made public, would serve to calm public opinion not only in Ecuador, but in the other countries of South America. I agreed with him and stated that the true facts would show that the United States [had] no imperialistic intentions.

The President then inquired whether he could tell the Assembly in secret session that I had spoken to him regarding the matter of Ecuador's declaring a state of war. I told him that under my instructions I could not assent to this and I explained that in my own opinion to tell the Assembly that this action was a result of a suggestion made by the American Ambassador would simply be interpreted as pressure on the part of the United States. I explained carefully that we were in no wise attempting to exert pressure but were making a suggestion which we considered would be for the benefit of Ecuador itself. I further explained that I believed the resolution passed by the Assembly on November 7 and the reply of the Minister for Foreign Affairs on November 16 (my 1076 of November 8, noon, and 1104 of November 17, 11 a. m.⁷) already gave the President a favorable opportunity to introduce this subject. The President agreed with me and said he would not mention my conversation to the Assembly, (I would appreciate the Department's comments on this point).

The attitude of the President during the entire conversation was entirely cooperative both as regards the matter at issue and the Galapagos matter.

SCOTTEN

740.0011 EW/1-1745: Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 17, 1945—7 p. m.

[Received January 18—1:29 p. m.]

49. ReEmbstel 47, January 17, 3 p. m. The Minister for Foreign Affairs just called me urgently to his office and stated that at the Cabinet meeting held this afternoon the President urged a declaration of war against Japan and that the Cabinet was unanimously in favor of this action. The Minister added, however, that for pure internal political reasons the President desired to have some document in the archives which would forestall any future criticism on the basis that such a recommendation of President Velasco had been inopportune

⁷ Neither printed. In these communications the Assembly's favorable disposition toward approval of the United Nation's Declaration was indicated.

during the time of negotiations for the Galapagos and Salinas post-war bases. The Minister added that if we could see our way clear to furnish some sort of a document in the form of an exchange of notes⁸ the President would immediately draft a message to the Assembly urging a declaration of war and since the Government has a large majority in the Assembly the President is certain his suggestion will be accepted without question.

Informed the Minister that I personally could not see the necessity for the action he suggested and doubted if it would be accepted by the Department. However, after some discussion I asked him exactly what he wanted and in my presence he wrote down his idea of an *aide-mémoire* which he would send me and my answer to him. I, of course, volunteered to send these to the Department by telegraph immediately. The suggested *aide-mémoire* and my reply are being forwarded by separate cable. The Department may consider the suggested *aide-mémoire* and my reply unobjectionable since they do not in any way imply that we have asked Ecuador to take the action proposed.

The Minister was very insistent in explaining that this request was due entirely to the peculiarities of the Ecuadoran internal political system as the opposition, even in future governments, is always ready to attack the actions of previous Presidents.

SCOTTEN

740.0011 EW/1-1745 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 17, 1945—8 p. m.

[Received January 18—noon.]

50. The following suggested exchange of communications between the Ministry of Foreign Affairs and myself is that referred to in my report on a conversation with the Minister this afternoon.

Suggested *aide-mémoire* from the Minister to the Ambassador (in translation) :

"In the interview which was held by the Minister for Foreign Affairs of Ecuador and the Ambassador of the United States on January 18, 1945, the Minister conferring with the President of the Republic stated the following to the Ambassador:

(1) That Ecuador desired to comply fully with its international obligations, especially those derived from the last Pan American Conferences.

(2) That, therefore, it was desirous of formalizing its declaration of war against Japan.

⁸ See *infra*.

(3) That because of conditions within the country unfortunately it could not do more toward the defeat of the Axis than it already had done but that it desired to add its moral force to that of the United States.

(4) He indicated that the declaration of war against Japan should not have anything to do with [any] concessions by Ecuador to the US.

(5) He asked if the foregoing declaration, in the opinion of the United States, could modify in any degree the juridical situation [apparent omission] the previous bilateral agreements or could in any manner exert influence on the diplomatic negotiations relative to Galapagos and Salinas, giving the United States an advantageous position."

Suggested reply from the Ambassador to the *aide-mémoire* quoted above (in translation):

"The Government of Ecuador having manifested its desire to declare war against Japan an aggressor of the United States of America in accordance with previous international pacts especially those of Lima and Panama the Government of the United States of America desires the Government of Ecuador to know that its eventual declaration of war would not modify at all the international situation existing between the two countries nor could it affect the bilateral agreements already formalized or those that, respecting Galapagos and Salinas, might come to be formalized, in view of the fact that both the one and the other situation are independent and unrelated."

SCOTTEN

740.0011 EW/1-1745 : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, January 20, 1945—3 p. m.

55. We greatly appreciate the splendid manner in which you have handled the important matter which was the subject of your telegrams nos. 47, 49 and 50. Your actions and the line you took before the President and the Foreign Minister are fully approved.

With reference to the proposed exchange of notes, the Department would prefer not thus to go on record, but if you find that the situation cannot be handled in any other way, an exchange of notes as follows would be approved:

"In the interview which was held between the Minister of Foreign Relations of Ecuador and the Ambassador of the United States of America on January 18, 1945, the Minister (conferring with the President of the Republic) stated to the Ambassador that: (1) Ecuador desired fully to comply with its international obligations and in particular those stemming from inter-American commitments taken at inter-American conferences and meetings of Foreign Ministers; (2)

aggression by a non-American state against an American state constitutes aggression against all of the American republics; (3) aggression has occurred against several American states; (4) Ecuador has thus far cooperated fully in the war against the Axis but now desires to formalize its status and in connection therewith to declare the existence of a state of war with Japan; (5) although Ecuador will not be able to make further important material contribution to the defeat of the Axis, it does desire to align itself shoulder to shoulder with the United Nations and fully to contribute its moral force to the defeat of the aggressors; (6) the Ambassador of the United States of America stated that a declaration of a state of war by Ecuador would not commit Ecuador to make any concessions and that any future bilateral or multilateral arrangements as might seem desirable would, of course, be the subject of full discussion and negotiation, and that any decision thereon would be entirely subject to the sovereign will of Ecuador. The Minister asked if the declaration would, in the opinion of the United States, modify in any degree the previous bilateral agreements or could, in any manner, exert influence on diplomatic negotiations relative to the Galápagos and Salinas in such a way as to give the United States a preferred position."

The following is the note with which you would reply to the Foreign Minister:

"The Government of Ecuador, having manifested its desire to formalize its status in the present struggle against the Axis by a declaration of the existence of a state of war in accordance with previous inter-American acts, especially those of Lima, Panama, Habana and Rio de Janeiro, the Government of the United States of America desires to assure the Government of Ecuador that such a declaration would not, in any way, modify the relations between the two countries, nor could it affect bilateral agreements already formalized or those which might later be formalized (such as arrangements concerning the Galápagos Islands and Salinas). It is the view of the Government of the United States that such a declaration by Ecuador is a matter entirely distinct, independent and unrelated with such agreements. Any future bilateral or multilateral agreements would be, of course, the subject of full and complete discussion and Ecuador's approval or disapproval thereof would be entirely subject to the sovereign will of Ecuador."

STETTINIUS

740.0011 EW/1-2245: Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 22, 1945—6 p. m.

[Received 11:23 p. m.]

69. In conversation with the Minister for Foreign Affairs this afternoon he reiterated that the exchange of notes he desired would have no

effect upon the international situation but he insisted it would be necessary in consideration of the internal political situation as explained in my previous telegrams. For this reason I exchanged notes with him as set forth in the Department's telegram 55, January 20, 3 p. m. The Minister seemed very pleased with the Department's wording of the two notes.

He stated that the President will send a message to the Assembly either this afternoon or tomorrow and that he expects a declaration of war by the Assembly by the end of this week.

SCOTTEN

740.0011 EW/1-2345

The Director of the Office of American Republic Affairs (Warren) to the Ambassador in Ecuador (Scotten)

WASHINGTON, January 23, 1945.

DEAR BOB: We are tremendously pleased with the telegrams of your progress in negotiations with President Velasco Ibarra on formalizing the status of Ecuador in the war, especially the telegram of today¹³ which indicated that that country is about ready to make application for membership in the United Nations.

The President has a keen personal interest in the possibility of obtaining a solid front of the American republics in support of the United Nations Declaration¹⁰ before the world conference takes place shortly after the Mexico City conference.¹¹ As evidence of this interest he has written a personal letter to each of the Presidents of the six American republics who are members of the Associated Nations, but have not yet signed the United Nations Declaration.

The President desires that you seek an early appointment with President Velasco Ibarra and deliver to him personally the President's letter.¹² In order that you may be in the best possible position to make the action of Ecuador. There is also enclosed a statement¹³ listing the President Ibarra may raise, a copy of the President's letter is enclosed for your information.

In view of the very favorable situation of this matter in Ecuador, it is our hope that President Velasco Ibarra will find it possible to take action within the next few days, because we believe that other countries who are a little hesitant will undoubtedly be influenced favorably by the action of Ecuador. There is also enclosed a statement¹³ listing the

¹⁰ Signed January 1, 1942, *Foreign Relations*, 1942, vol. I, p. 25.

¹¹ For documentation on the Mexico City Conference, see pp. 1 ff.

¹² This letter was the same, *mutatis mutandis*, as the letter to the President of Chile, printed on p. 758.

¹³ Not printed.

United Nations, as well as the Associated Nations, which should not be without its effect.

With all best wishes,
Sincerely yours,

A. M. WARREN

740.0011 PW/1-3045 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 30, 1945—4 p. m.

[Received 8:18 p. m.]

87. The Minister for Foreign Affairs has just told me that after some difficulty with the Assembly the President has received authority from it to declare a state of war with Japan. He added that under Ecuadoran constitutional procedure the declaration will be made by the Executive and not by the Assembly. He added that the President is studying the most appropriate method of making the declaration and that it will probably be announced at the end of this week.

It is possible that the declaration may be made on February 3 to coincide with the 150th anniversary of the birth of Marshal Sucre.¹⁴

I venture to suggest that immediately after this declaration is made public an appropriate telegram from President Roosevelt to President Velasco Ibarra would cause an excellent impression here.

SCOTTEN

740.0011 PW/2-445 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, February 4, 1945—10 a. m.

[Received 10 p. m.]

100. This morning's press publishes the announcement that Ecuador is in a state of war with Japan (as foreseen in my No. 99 of February 3, 11 p. m.¹⁵), reporting that President Velasco informed the press last night that "the Government of Ecuador, duly authorized by the National Constitutional Assembly, has declared that it has been in a state of war with Japan since December 7, 1941, in order to demonstrate that Ecuador is always with the United Nations, struggling against totalitarian tyranny". The President added that the text of the declaration would be made available to the press at noon tomorrow.

SCOTTEN

¹⁴ Antonio José de Sucre, Liberator of Ecuador from Spain.

¹⁵ Not printed.

740.0011 E.W./2-445 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, February 4, 1945—11 a. m.

[Received 10:07 p. m.]

101. The local press this morning published the following United Press despatch from New York signed by William Lander:

"President Roosevelt according to a despatch of the Washington correspondent of the *New York Herald Tribune*, has stated that notes have been sent to various American countries which have not declared war but have simply broken regulations [*relations*] with the Axis. Those countries are Uruguay, Ecuador, Peru, Venezuela, Chile and Argentina, it being maintained that in the existing circumstances they possibly will not be able to have seats at the peace table.

This message has been sent and is being discussed by the Foreign Offices of America just when Roosevelt is meeting with the other Allied chiefs in a conference that is still going on and at a place that is not known.¹⁶ It is believed that if these messages are well founded there will be serious reactions (*serias actitudes—sic*), which will have repercussions at the Mexico Conference.

It is also possible that this will be the way of solving American difficulties and of arriving at a consolidation of continental policy."

There is published also a United Press despatch from Washington reading in part as follows:

"Well informed circles consider exaggerated and without foundation the report that Roosevelt urged seven Latin American countries to enter the war against the Axis in order that they might take part at the peace conference."

The despatches are published in *El Comercio* under the headlines:

"It is said that Roosevelt asked seven American countries to enter the war against the Axis—there are involved those which until now have only broken diplomatic relations with Germany and Japan—well informed Washington circles believe the story is exaggerated."

SCOTTEN

740.0011 PW/2-545 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, February 5, 1945—11 a. m.

[Received 11:52 p. m.]

103. My telegram number 100 of February 4, 10 a. m. The Quito papers publish this morning the text of Ecuador's declaration of war on Japan which is being forwarded by airmail today.

¹⁶ The Yalta Conference; for documentation, see *Foreign Relations*, The Conferences at Malta and Yalta, 1945, pp. 549 ff.

The declaration dated February 2 which is signed by the President and members of his Cabinet after referring to Ecuador's commitments at the Lima, Panama and Habana Conferences states that following Japan's aggression on the United States, Ecuador hastened to collaborate with the United States in the continental defense and permitted a temporary occupation of one of the Galapagos Islands and Salinas; that "having been established in a definite manner, the aggression of Japan at Pearl Harbor against an American [state?], Ecuador necessarily felt the offense as its own, and in so far as its cooperation in the continental defense with the United States was concerned, it has been and is in the legally correct position vis-à-vis the attacked state;" that in accordance with these principles and antecedents and having been authorized by the Constitutional Assembly and "obeying moreover a latent sentiment in the minds of the Ecuadoran people, the Government desires to declare that Ecuador from December 7, 1941, the date of the attack on Pearl Harbor, has been and is in a state of war with Japan, an express declaration which will be brought to the attention of the American Nations in pursuit of a closer relationship with the states of the continent and for fortifying their common securities." The declaration concludes by stating that it will not affect the constitutional orders or the normal operation of Ecuadoran internal policy, and that it will not signify in the future the acceptance of responsibilities other than those which fall to Ecuador in proportion to its potentialities and fall to it as a member of the community of the American states.

SCOTTEN

740.0011 E.W./2-745 : Telegram*The Ambassador in Ecuador (Scotten) to the Secretary of State*

QUITO, February 7, 1945—11 a. m.

[Received 3:59 p. m.]

109. Reference Department's 102, February 5, 7 p. m.¹⁷ The Minister for Foreign Affairs informs me the Ecuadoran Ambassador in Washington is being instructed to sign the United Nations Declaration on February 14.¹⁸

SCOTTEN

¹⁷ Not printed.¹⁸ For an account of the ceremony of adherence to the United Nations Declaration on February 14, 1945, see Department of State *Bulletin*, February 18, 1945, pp. 231-237.

NEGOTIATIONS CONCERNING UNITED STATES BASES ON ECUADORAN TERRITORY AND OTHER DEFENSE PROBLEMS¹⁹

811.24522/1-445 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, January 4, 1945—6 p. m.

[Received January 5—12:25 p. m.]

10. Yesterday during our visit to the Galapagos, Galo Plaza²⁰ himself brought up the subject of the negotiations and stated that while the sentiment in the Government and Assembly is generally favorable to an agreement, our suggestion of "leases" is objectionable and he believes the agreement should be in the form of a "broad treaty for mutual cooperation." (I believe he meant a treaty including provision for financial and economic assistance to Ecuador.) Although he was not clear as to what action would be taken by the Minister for Foreign Affairs, he stated he thought that Ecuador should try its hand at drafting the kind of a treaty it liked and which would be approved by its leading lawyers, et cetera. Since Plaza has been in constant touch with the Ecuadoran authorities I infer that the Minister for Foreign Affairs will in fact submit to us either through Galo Plaza or myself a completely new draft of a "treaty" and this reenforces the thought expressed in paragraph 1 of my number 1, January 2, 11 a. m.,²¹ that it would be wise for us to defer attempting to draw up a new draft at this time pending some indication of the desires of the Ecuadoran Government.

Plaza should arrive Washington about January 9.

SCOTTEN

810.20 Defense/2-1645 : Telegram

The Acting Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, February 16, 1945—8 p. m.

119. It is agreed by the State, War, and Navy Departments that Military and Naval Staff conversations with Ecuador should start March 15. Refer Department's secret circular instruction August 1, 1944,²² January 10, 1945.²³ Please consult the Foreign Minister and

¹⁹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 1049 ff. and 1052 ff.

²⁰ Ecuadoran Ambassador to the United States.

²¹ Not printed.

²² *Foreign Relations*, 1944, vol. VII, p. 105.

²³ *Ante*, p. 600.

cable Department whether that date is agreeable to the Ecuadoran Government.

Conversations in Ecuador will be under the supervision of General Brett²⁴ and Admiral Kingman.²⁵ They will get in touch with you directly concerning details of the conversations. General Brett will provide you with a program outlining the purpose of the conversations and the topics to be discussed. On receipt of it please transmit the program to the Ecuadoran authorities, unless you receive [*perceive?*] objection in order that they may be prepared in advance.

It is emphasized that the forthcoming staff conversations are entirely exploratory in nature, will involve no (repeat no) commitments by either party, and will be confined to technical military and naval discussions, not (repeat not) to include political matters.²⁶

GREW

810.20 Defense/2-2645 : Telegram

*The Acting Secretary of State to the Ambassador in Ecuador
(Scotten)*

WASHINGTON, February 27, 1945—7 p. m.

143. ReEmbs 164, February 26, 10 a. m.²⁷ War Department reports General Brett is having programs printed, and it is hoped they will reach you shortly. However, in your discretion if it appears necessary, you may communicate informally to Ecuadoran authorities before receipt of program following main points which it is expected will be included in the program [of staff conversations].

Reexamination of existing military arrangements and establishment on a permanent basis of military relations of the United States and Ecuador.

For the ground, air, and naval forces of Ecuador:

1. Consideration of the mission of each branch and the approximate size and composition of the forces desired.
2. Possibility of producing standardization of equipment and advantages of organizing armed forces in accordance with United States standards.
3. Possibility of training Ecuadoran armed forces on United States principles, including extension of training facilities in United States and use by Ecuador of United States military, naval, and air missions.

GREW

²⁴ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

²⁵ Rear Adm. Howard F. Kingman, Commander, Panama Sea Frontier.

²⁶ The Ambassador reported in his telegram 144, February 19, 1945, 5 p. m., that the Ecuadoran Government was agreeable to beginning the conversations on the date indicated (810.20 Defense/2-1945).

²⁷ Not printed.

S11.24522/4-2045

The Ambassador in Ecuador (Scotten) to the Secretary of State

No. 2934

QUITO, April 20, 1945.

[Received May 3.]

SIR: I have the honor to inform the Department that Dr. Luis Eduardo Laso, the Ecuadoran Minister of Economy, called on me this afternoon on the eve of his departure for the San Francisco Conference.²⁸ He stated that he had talked with the President and the Minister for Foreign Affairs subsequent to a conversation I held with him on April 7 at which time I pointed out the desirability of concluding the Galápagos negotiations prior to any request on his part for financial assistance from the United States (my despatch No. 2894, April 7, 1945).²⁹

Dr. Laso stated that he had made a proposition to the President and the Minister for Foreign Affairs which was acceptable to both of them and which was along the following lines. In order to make the post war use of the Galápagos by the United States military forces palatable to the Ecuadoran Army, an agreement would be drawn up in renewable form for five- to ten-year periods and the United States would furnish the Ecuadoran armed forces with military equipment for its needs during these periods. The equipment would be determined by a joint commission of Ecuadoran and American military officers. Nothing of a financial nature would be included in the agreement. Dr. Laso informed me that if the support of the Ecuadoran Army can be obtained for a Galápagos agreement with the United States any opposition in Ecuador would be powerless to prevent it as the Army is all-powerful here. He is convinced that the Ecuadoran Army would welcome this arrangement and would be unanimously in favor of it.

Dr. Laso then added that once an agreement of this sort is signed, which he felt could be done very rapidly as far as Ecuador is concerned, he proposes to discuss in Washington certain credits which Ecuador desires to negotiate with the Exim Bank on a commercial basis. Mr. Tewksbury,³⁰ who was present during the conversation, has drawn up a memorandum of Dr. Laso's proposals which is enclosed herewith.²⁹ It is Dr. Laso's present plan to proceed to Washington after having discussed the matter during the conference at San Francisco with the Ecuadoran Ambassador, Galo Plaza, and the Minister for Foreign

²⁸ For documentation on this Conference, see vol. I, pp. 1 ff.

²⁹ Not printed.

³⁰ Howard H. Tewksbury, Commercial Attaché.

Affairs and to hold discussions with the Department and the Export-Import Bank along the lines of the enclosed proposal.

Respectfully yours,

R. M. SCOTTEN

822.51/4-2345

Memorandum by Mr. Henry Dearborn of the Division of North and West Coast Affairs ³¹

[WASHINGTON,] April 23, 1945.

In a conversation with the Ecuadoran Minister of Economy, Ambassador Scotten informed him in effect, that he (the Ambassador) felt that the disinclination of the Export-Import Bank to discuss new credits would tend to be overcome once the Galápagos matter was settled. He added that when a mutual security pact was signed, giving the United States long term rights in the Galápagos, the relations between the two countries would be placed on an entirely different basis and there would be a much better disposition both on the part of the Department and the American Congress to assist Ecuador. The Ambassador reminded Minister Laso that he was speaking unofficially.

The Minister showed himself to be "intensely interested".

H. DEARBORN

822.51/7-545

Memorandum of Conversation, by Mr. John C. McClintock of the Office of the Assistant Secretary of State (Rockefeller)

[WASHINGTON,] July 5, 1945.

Participants: Minister of Foreign Relations Ponce
Ambassador Galo Plaza
Wayne C. Taylor, President, Export-Import Bank
James F. Mersereau, Export-Import Bank
Jerome J. Stenger—ED ^{31a}
Milton K. Wells—NWC ^{31b}
John C. McClintock—A-R ^{31c}

The meeting was held at the request of Minister Ponce with Mr. Wayne C. Taylor, President of the Export-Import Bank, to discuss the possibility of establishing a line of credit for certain projects in Ecuador.

³¹ Addressed to the Chief of the Division of North and West Coast Affairs (Wright) and to the Director, Office of American Republic Affairs (Warren).

^{31a} Division of Foreign Economic Development.

^{31b} Division of North and West Coast Affairs.

^{31c} Assistant Secretary of State Nelson A. Rockefeller.

Ambassador Plaza, on behalf of the Minister, outlined the general Ecuadoran approach. He stated that after conversations with Mr. Rockefeller the suggestion had been made that a line of credit for twenty million dollars be opened by the Export-Import Bank, funds to be expended under this line of credit for specific projects to be agreed upon by the Ecuadoran Government and the Bank after competent engineering studies had been carried out by a reputable United States engineering firm in the employ of the Ecuadoran Government.

As security for the loan, it was further suggested that whatever funds are appropriated by the United States for the use of the Galápagos Islands would be earmarked for the amount necessary for amortization and interest on the Export-Import Bank loans.

The Ambassador stated that he was hopeful that the Bank could suggest a competent engineering firm to be employed as consultants by the Ecuadoran Government. Mr. Taylor pointed out that the responsibility for choosing engineering consultants rested with the Ecuadoran Government but stated that the Bank would be glad to supply a list of qualified firms as consulting engineers with whom the Ecuadoran Government might negotiate.

Discussion was then had with respect to the status of the Ecuadoran Development Corporation,³² particularly with reference to the role of the Corporation in acting as a planning group in connection with the developmental projects for which the twenty million dollar line of credit is required. Mr. Taylor observed that, as it has been agreed between the Bank and the Ecuadoran Government that the Corporation will as soon as possible be made a wholly Ecuadoran entity and since the past history of the Corporation had not turned out as both parties had wished, it might be preferable to establish a new planning commission which could employ the American firm of engineering consultants who would advise the planning commission with respect to the various projects under consideration.

After discussion between Minister Ponce and the Ambassador, it was the consensus of the Ecuadoran representatives that it would be preferable to utilize the mechanism of the Development Corporation, as the Corporation is already a legally constituted entity, and it would be a simple matter at the next annual meeting to elect new directors with the end in view of choosing men qualified for the new role of the Corporation. Mr. Taylor suggested that as a matter of advice he would recommend that the Corporation divest itself of all operating functions, specifically the experiment farm at Pichilingue,³³ so

³² Ecuadoran governmental instrumentality, in the direction of which Ecuadorans and Americans shared.

³³ Site of large cacao and coffee plantations backed by the Ecuadoran Development Corporation.

that the Corporation would be solely a planning organization and would have no operating responsibility nor financial undertakings.

It was brought out during the discussion that the projects which the Ecuadorans have in mind involve construction of port works, improvement of railroad facilities, construction of highways, and irrigation. Mr. Taylor indicated that the Bank would be willing to consider initial financing to cover the cost of engineering surveys so that individual projects could be presented to the Bank under a line of credit to be opened.

Mr. Taylor also indicated that, upon the receipt of an *aide-mémoire* outlining the steps which the Ecuadorans proposed to follow, he would be pleased to place the matter before the Board of Directors of the Bank at their next meeting on July 10 to ascertain whether or not the Board would approve in principle the general line of approach under discussion.

It was established that to clean up the affairs of the present Ecuadoran Development Corporation, place it on a unilateral basis, complete the audit of its books, and elect new directors would take at least sixty days. It was pointed out that undoubtedly a special session of the Ecuadoran Government would be necessary to ratify whatever treaty is drafted for the use of the Galápagos Island bases, and Minister Ponce indicated that a special session of Congress would probably be called later in the year, not only for this purpose but also to ratify the treaty implementing the Act of Chapultepec,³⁴ as well as Ecuadoran adherence to the United Nations Organization.

The meeting concluded with agreement that an *aide-mémoire* would be prepared to be signed by the Ecuadoran Foreign Minister and presumably representatives of the Export-Import Bank and the Department of State. It was agreed that the Bank would prepare a panel of names of engineering firms who would be competent to advise the Ecuadoran Government with respect to the various projects under consideration.

A subsequent telephone conversation between Mr. Rockefeller and Mr. Taylor made clear that negotiations for the use of the Galápagos Islands are still in a preliminary stage and no determination has yet been made as to the amount which should be paid for the use of the Islands. The subject has not been cleared with the several agencies

³⁴ The Act of Chapultepec was the eighth resolution of the Inter-American Conference on Problems of War and Peace at Mexico City. For documentation on this Conference, see pp. 1 ff.; for text of the Act, signed March 8, 1945, see Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace*, p. 40.

of the Government concerned, nor has the matter been presented to the Congress.

JOHN C. McCLINTOCK

810.20 Defense/7-1345

The Ambassador in Ecuador (Scotten) to the Secretary of State

No. 3249

QUITO, July 13, 1945.

[Received July 26.]

SIR: I have the honor to refer to the Department's telegram No. 399 of June 28, 7:00 p.m.,³⁵ requesting a summary of the report rendered on the Bi-Lateral Staff Conversations held between the United States and Ecuadoran Military and Naval officers in Quito, March 15 to 24, 1945.

A copy of the report under discussion was furnished to the Embassy under cover of a letter from Headquarters, Caribbean Defense Command, Office of the Commanding General, dated April 27, 1945. It consisted of thirty-five dossiers containing approximately 227 typewritten sheets, together with a number of pamphlets and maps. The principal conclusions and recommendations were condensed and mostly are contained in the dossiers entitled "Covering Letters" and "Covering Report". The other exhibits bring out the salient points and discuss the conclusions and recommendations in somewhat more detail.

There is attached hereto a summary³⁶ of the salient points, conclusions and recommendations made in the report prepared by Counselor of Embassy George P. Shaw. The summary contains the entire text of the Covering Letters, the gist of the Covering Report, and briefs of Exhibits "A" to "J" inclusive. The twenty-three enclosures to the exhibits mentioned have not been discussed as they contain only supporting details, tabulated data and references.

It is believed that the attached summary will furnish the Department with all of the essential information necessary for an intelligent

³⁵ Not printed.

³⁶ Not printed. The recommendations were that Ecuadoran ground forces be established and equipped according to United States standards to the extent of one infantry battalion combat team, that some thirty aircraft of varying types be provided, and that training in the United States be made available for a number of Ecuadoran military men. In the matter of naval defense, United States officers recommended the provision of an armed tug or minesweeper, and a small naval station at Salinas. Ecuador agreed to supply information on defense matters, use United States training techniques, and equip their defense units with United States weapons. (810.20 Defense/7-1345)

discussion of the conversations. However, should the Department deem it essential to have a copy of the complete report in its files, one can be prepared in about three days' time by devoting the available stenographic staff of the Embassy and the Military and Naval Attachés to this work. It is not contemplated to send the complete text of the report to the Department at this time unless it is specifically requested. It is understood that a complete copy of the report is on file with the Military Intelligence Service of the Army in Washington which eventually should become available to the Department for reference.

Respectfully yours,

For the Ambassador:
GEO. P. SHAW
Counselor of Embassy

822.51/7-2345 : Telegram

*The Acting Secretary of State to the Ambassador in Ecuador
(Scotten)*

WASHINGTON, July 23, 1945—8 p. m.

453. For the confidential information of the Embassy the Board of Trustees of the Eximbank approved, subject to final action by the Bank, the request submitted by the Government of Ecuador for a line of credit of \$1,000,000 to assist in financing United States engineering services to formulate a public works program consisting of port works at Guayaquil, improvement of railway transportation facilities, construction of important highways and certain irrigation projects. In this connection, the Government of Ecuador plans to reorganize the Ecuadoran Development Corporation so that it will no longer have its present operational functions, making it exclusively a planning organization. The reorganized corporation is to be a wholly Ecuadoran entity without the Bank's participation in the election of its directors or employees. The establishment of this line of credit will facilitate the Treaty negotiations now being conducted with the Republic of Ecuador.

The Board agreed in principle to increase the line of credit up to \$20,000,000 in the aggregate for the purpose of carrying out the aforementioned program, the increase to be conditional upon satisfactory conclusion of Treaty negotiations and upon assurances of adequate security for servicing the loan. The individual projects to be financed under the contemplated program would, of course, be subject to prior approval of the Bank.

The Board of Trustees also approved the execution of an amenda-tory agreement to extend to December 31, 1946, the availability of the credit established in 1940,³⁷ amounting to \$1,480,000, in favor of the Republic of Ecuador to finance the purchase and exportation of railway equipment, the construction of highways and agricultural development. The credit has been disbursed except for approximately \$85,000, and orders have been placed for railway equipment to be financed from this undisbursed balance. Since the equipment ordered is in various stages of manufacture, and may not be delivered until 1946, the Bank was authorized to execute such an agreement.

The Embassy will be kept informed regarding further action.

GREW

822.51/8-745 : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, August 13, 1945—5 p. m.

507. Reurtel 611, August 7, 3 p. m.³⁸ Progress on the Galápagos treaty and loan negotiations are presumably a pretext for Ecuadoran Ambassador's return. Salinas base apparently out of picture.

Am air mailing for your comment Ambassador's draft for Galápagos treaty³⁸ which Dept is considering and may use. In view of uncertainty, however, make no mention of this to Ecuadoran Government.

Am also air mailing you a memorandum³⁸ approved by Dept, Ecuadoran Ambassador and Eximbank. This provides for transformation of Development Corporation into purely Ecuadoran planning organization. No specific figure named for credit in memorandum, though \$20,000,000 maximum is mentioned in covering letter to Ambassador. Eximbank and Ecuadoran Government must approve all specific projects for which credit will be used. That Government and Development Corporation are to select American engineering firm as consultant and \$1,000,000 is available for preliminary studies upon reorganization of Development Corporation. Interest and amortization of eventual credit to be guaranteed by presumptive Galápagos base payments and such other security as Eximbank may require. Apart from above mentioned million, no credit until Galápagos base treaty satisfactorily concluded.

BYRNES

³⁷ See telegram 59, June 4, 1940, to Quito, *Foreign Relations*, 1940, vol. v, p. 875.

³⁸ Not printed.

811.24522/8-1745

The Secretary of State to the Ambassador in Ecuador (Scotten)

No. 1248

WASHINGTON, August 17, 1945.

The Secretary of State encloses for the study and comments of the Ambassador the translation of the Spanish draft of a treaty⁴¹ for establishing a military base in the Galápagos Islands, presented to the Department by Señor Galo Plaza, the Ecuadoran Ambassador in Washington.

This draft is now being examined in the Department and the early comments of the Embassy would be appreciated. It is not necessary for the Embassy to discuss the matter with the Ecuadoran authorities, as no decision has as yet been taken in regard to this draft.

Señor Galo Plaza takes into consideration the strenuous objections made in Ecuador to the Department's draft which was forwarded to Quito in instruction no. 935 of November 14, 1944.⁴⁰ In his opinion it is important that: Salinas should not be formally included in the treaty; the terms "lease" and "rent" should be avoided, since they are regarded as an affront to Ecuadoran dignity; Ecuadoran sovereignty needs further emphasis; 99 years is too long a term for the agreement.

Article X of the enclosed draft refers to exchanges of notes which will take place in connection with the implementation of the treaty. The Department contemplates that the text of its note to the Ecuadoran Government will be taken more or less directly from the corresponding parts of the draft forwarded to the Embassy in Quito under cover of instruction no. 935 of November 14, 1944.

822.51/8-945

The Assistant Secretary of State (Rockefeller) to the Ambassador in Ecuador (Scotten)

WASHINGTON, August 22, 1945.

DEAR BOB: Thanks for your letter of the ninth⁴¹ concerning your visit to the President. I appreciate your tactful handling of this matter.

I had a very frank talk with Galo Plaza before he left, and he is fully familiar with all angles of the negotiations concerning both the loan and the bases on Galápagos Islands.

⁴⁰ *Foreign Relations*, 1944, vol. VII, p. 1075.

⁴¹ Not printed.

The only feature of this whole thing which worries me now is the amount which the Army and Navy will be prepared to spend as annual rental for the use of the bases. The present economy wave which is spreading over Washington—and rightly so now that the war is over—may result in their reducing their estimate of what they can pay beyond the point of the true value to the United States, which would have a very unfortunate effect on the negotiations. Therefore, for the time being, I think we will have to avoid mentioning any question of the amount in this connection.

By now you will have received all the background information concerning the negotiations and we will look forward to hearing from you as to your reaction to Ambassador Plaza's visit.

With best wishes,

Sincerely,

NELSON A. ROCKEFELLER

811.24522/8-2745

Memorandum by the Ambassador to Peru (White) Temporarily on Duty in Washington, to the Assistant Secretary of State (Dunn)

[WASHINGTON,] August 27, 1945.

As the Ecuadoran Government is pressing for a treaty covering a base in the Galápagos, the draft being already under consideration, it is high time that the all important question of compensation payments be faced. 3A ⁴² indicates that the military authorities are still unwilling to pronounce themselves, though they are the parties principally responsible.

Until the present war the attitude of the State Department and the Navy was that we were not interested in establishing ourselves in the Galápagos as long as Ecuador held control and always provided that no other non-American power obtained occupational rights. The Navy considered it unsuitable for a coaling station.

Why the Galápagos should have become so much more important from a defense point of view now, when the United States is very much more powerful than it has been since Ecuador became independent, has not been disclosed. The Army, however, is on record since the war as claiming that the base is essential and that it would be unsafe to abandon it in a functioning condition, inasmuch as

⁴² This is a reference to a question-answer statement in a memorandum, SM 2789, of August 8, 1945, for the State-War-Navy Coordinating Committee, signed by Brig. Gen. A. J. McFarland, secretary of the Joint Chiefs of Staff. The identical language of the statement appears in the memorandum of September 5, from the Chairman of the Committee, p. 1020.

Ecuador is unable to defend it. The Navy apparently concurs with this view. The fact that over eight million dollars have already been spent on the base there may have something to do with this attitude.

Another very important consideration would be the precedent which the Galápagos base may constitute for other bases in other parts of the world.

As far as the State Department is concerned since the war, there have been informal observations to the Ecuadorans that payment should bear some connection with and be less than, those for the Panama Canal.

A memorandum of the Eximbank approved by the Department of State ⁴⁴ declares that the payments for the Galápagos are to be a security—the only one so far specified—for a projected loan for public works, etc. to the Ecuadoran Government. While the amount of this loan has not been fixed and will not be for some time, there have been allusions to a maximum of 20 million dollars. Two hundred and fifty thousand dollars a year would be quite inadequate for guaranteeing amortization and interest on such a sum. The Eximbank can ask for other guarantees, but what will they be worth?

The Ecuadorans have very exaggerated ideas of the value to others of the Galápagos Islands.

We have record of approval of retaining a postwar base in the Galápagos from Senators and Members of Congress.

822.51/8-2845 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, August 28, 1945—10 a. m.

[Received 4:16 p. m.]

657. Since his arrival in Quito several days ago, Ambassador Plaza has made several declarations to the press regarding the Galápagos negotiations and the Export Import bank loan. (Although Plaza has not publicly mentioned the size of the loan he has undoubtedly done so privately as the amount of \$20,000,000 appears in several of the press articles and this figure appears to be more or less taken for granted.) His declarations have been very tactful, underlining the great benefits Ecuador will derive from the loan and the fact that Ecuador will maintain its sovereignty over the Galápagos Archipelago although granting United States the use of the bases for the defense of the canal. The reaction in Guayaquil and Quito has been on the whole

⁴⁴ Not printed, but see the memorandum of conversation of July 5, p. 1010.

very favorable, the only discordant note being a resolution of the Communist Party calling for the immediate return of the Galápagos bases to Ecuador. This resolution reported to the Dept in my despatch 3377 of August 24,⁴⁵ does not however appear to be particularly important especially as it was drafted before the news of the Export Import Bank loan was made public.

I expect to sign the *aide-mémoire*⁴⁶ referred to in Depts 528 of August 25⁴⁷ with the Minister Foreign Affairs⁴⁸ Thursday morning.⁴⁹

Galo Plaza informs me he has gone over this whole matter with the President and the entire Cabinet and they have unanimously approved the present status of the negotiations. He adds that the draft treaty itself is being studied in the Foreign Office and he does not anticipate any important objections.

This whole situation is aired in this morning's press in an Associated Press despatch from Washington and was also mentioned in a radio broadcast of the National Broadcasting Company from Boston.

SCOTTEN

811.24522/9-445

The Ambassador in Ecuador (Scotten) to the Secretary of State

No. 3413

QUITO, September 4, 1945.

[Received September 12.]

SIR: I have the honor to refer to my despatch No. 3410, September 4, 1945, enclosing copies of the *Aide-Mémoire* regarding the Galápagos negotiations and Export-Import Bank loan which the Minister for Foreign Affairs and I signed at the Foreign Office September 1. In connection with this matter the Department will be interested to know that I inquired of the Minister whether the Ecuadoran Government had any plans to call a special session of Congress in the course of this year to ratify this agreement as well as the United Nations Charter and the agreements which may be arrived at during the forthcoming conference at Rio de Janeiro. The Minister replied by assuring me that all these agreements will eventually be ratified by Ecuador. He added, however, that, as I was aware, should his Government call a special

⁴⁵ Not printed.

⁴⁶ Not printed. The *aide-mémoire* provided for the reorganization of the Ecuadoran Development Corporation into a planning commission, the use of an American engineering firm as consultant, and the loan of \$1,000,000 for preliminary studies. (822.51/9-445)

⁴⁷ Not printed. This authorized the signing of the *aide-mémoire*.

⁴⁸ Upon the resignation of Ponce, José Vicente Trujillo became Minister for Foreign Affairs late in July.

⁴⁹ The signatures were attached on Saturday, September 1, 1945.

session of the Congress this would be, under the Constitution, composed of the same members as the recent Constituent Assembly which had caused the President so much trouble. He stated that from the standpoint of Ecuadoran internal politics the Government did not wish to reconvene this same body. He did not indicate that a final decision has been taken on this matter but gave me every impression that his Government at the present time at least prefers to wait until the ordinary session of Congress which is due to meet in August 1946 after regular elections are held. I am reliably informed that the reason for this attitude on the part of the present regime is that the majority of the Constituent Assembly was composed both of the extreme Leftist and the extreme Rightist elements, both of which have had disagreements with President Velasco Ibarra. I am informed that should an extraordinary session of Congress be called in the near future there is every likelihood of this Congress taking action which would result in the ousting of the President. What the final decision of the Government will be cannot be foreseen at the present time.

Under the terms of the *Aide-Mémoire* itself although \$1,000,000 of the Exim Bank loan will be available to this Government for engineering studies immediately upon the reorganization of the Ecuadoran Development Corporation, the balance of the loan will not be available until the Galápagos treaty is actually ratified. Any delay in ratification will result, therefore, in a delay of the receipt of the funds and it may be that considerable pressure will be exerted upon the President to obtain these funds with as little delay as possible.

Respectfully yours,

R. M. SCOTTEN

811.24522/9-545

Memorandum by the Chairman of the State-War-Navy Coordinating Committee (Matthews) to the Secretary of State

WASHINGTON, September 5, 1945.

In a recent conversation with the Commanding General, Army Air Forces,⁵¹ the Assistant Secretary of State for American Republic Affairs⁵² requested the information indicated by the five questions listed below. The Joint Chiefs of Staff submit the following replies:

1. Q: The wartime cost of United States installations on the Galápagos Islands?
A: Aggregate expenditures of the War and Navy Departments total approximately \$8,120,000.

⁵¹ Gen. Henry H. Arnold.

⁵² Spruille Braden.

2. Q: An estimated corresponding pre-war peacetime cost of these installations?
A: \$6,731,000. This estimate is derived by comparison of the Index of Construction Costs for 1937 with the average of such indexes for 1942/43 as published in the Engineering News Record.
3. Q: The yearly lease price the United States would be willing to pay for such installations?
A: The Joint Chiefs of Staff consider that a valid appraisal could only be reached at the governmental level with due regard to all the military political and financial factors involved. They know of no basis for relative estimate or comparison except the yearly rental of \$250,000 paid to Panama for lease of the Canal Zone.
4. Q: The desired period such a lease should run?
A: Ninety-nine years or longer, if obtainable from the Government of Ecuador.
5. Q: The shortest possible period for which such a lease would be acceptable?
A: Twenty-five years with mutually satisfactory renewal privilege.

The State-War-Navy Coordinating Committee concurs in the above views of the Joint Chiefs of Staff.

H. FREEMAN MATTHEWS

[Following the termination of hostilities with Japan, notification was sent to Embassies of countries receiving Lend-Lease aid that Lend-Lease operations were being terminated. For text of note, see circular telegram of October 6, 1945, 8 a. m., printed on page 256. The note sent to the Ecuadoran Chargé was dated September 28, 1945.]

822.51/10-645

*Memorandum of Conversation, by Mr. Henry Dearborn of the
Division of North and West Coast Affairs*

[WASHINGTON,] October 6, 1945.

Participants: ARA—Mr. Briggs
Ambassador Scotten
NWC—Mr. Flack
NWC—Mr. Dearborn

A memorandum written by the Ecuador desk officer⁵⁴ was read in which it was pointed out that the negotiations with Ecuador for a base in the Galápagos and for an Eximbank loan were not as favorable as

⁵⁴ Not printed.

they appeared on the surface. It was indicated that failure to clarify certain points immediately might result in the collapse of the negotiations. Ambassador Scotten agreed with the memorandum without reservation.

It was agreed that the following objectives should be accomplished as soon as possible: (1) to determine how much the United States would be willing to pay for a base in the Galápagos Islands; (2) to determine the source of the funds to be paid for the base; (3) to discover from the Eximbank exactly what it understood its position to be under the *aide-mémoire* signed in Quito on September 1, 1945; (4) to determine the exact relationship of the "loan", the payment for the base, and the treaty for the use of the base; (5) to bring the Ecuadoran understanding of the loan into conformity with our understanding of it.

Following the above discussion the participants went to Mr. Braden's office where, in the presence of Mr. Braden and Mr. Butler,⁵⁵ the situation was outlined again. It was agreed that at the earliest possible moment a meeting should be held with Mr. Wayne Taylor of the Eximbank and soon thereafter with appropriate military officers looking toward the clarification of the above enumerated matters.

811.24522/10-845

Memorandum by the Ambassador to Ecuador (Scotten), Temporarily in Washington, of a Conversation With the Ecuadoran Ambassador (Galo Plaza)

[WASHINGTON,] October 8, 1945.

The Galápagos matters arose in conversation with Galo Plaza at luncheon today. I stated that I had not seen Wayne Taylor and had only discussed the matter in a general way at the Department but that what I was puzzled about was what was the Ecuadoran understanding as to the amount that the United States would set aside for the use of the base as provided in the *aide-mémoire* which the Minister of Foreign Affairs and I had signed. He stated that the Ecuadoran understanding was that the full amount of \$20,000,000 would be set aside and used to liquidate the \$20,000,000 loan. He stated that nothing specific had been said in the memorandum, although Nelson Rockefeller's letter⁵⁶ mentioned the sum of \$20,000,000. I inquired, as a hypothetical question, whether if the United States should set aside a lesser sum, let us say \$10,000,000, the Ecuadorans would be

⁵⁵ George H. Butler, Chief, Division of River Plate Affairs.

⁵⁶ Letter of August 7, 1945, to the Ecuadoran Ambassador, not printed.

prepared to reimburse the Bank for the remaining \$10,000,000. He stated that it is the feeling of the President and the Minister of Foreign Affairs that unless the entire \$20,000,000 were set aside to liquidate the loan, Ecuador should simply leave the United States in possession of the bases with no question of compensation being mentioned. In other words, he created the impression that Ecuador realized it would have to yield to *force majeure* and allow us to remain in the Galápagos, but that the Government felt that for internal political reasons it could not actually agree to a lesser amount than the \$20,000,000. He stated that this was understood by Messrs. Rockefeller and Avra Warren ⁵⁷ and they could probably explain this to the Department.

ROBERT M. SCOTTEN

811.24522/10-1645

*Memorandum of Conversation, by Mr. Henry Dearborn of the Division
of North and West Coast Affairs*

[WASHINGTON,] October 16, 1945.

Participants: Export-Import Bank: Mr. Taylor, Mr. Machold, Mr. Chase
Embassy of Ecuador: Ambassador Plaza, Dr. Laso
Department of State: Ambassador Scotten, Mr. Briggs,
Mr. Flack, Mr. Stenger, Mr. Dearborn

A meeting was held today in Mr. Taylor's office for the purpose of making certain that the United States and Ecuadoran Governments entertained a similar understanding of matters relating to the *aide-mémoire* signed by representatives of the two Governments in Quito on September 1, 1945. There had been reason to suppose that these matters required clarification in view of statements which Ambassador Plaza made during his recent trip to Ecuador.

The first subject discussed was "dollar requirements". Mr. Taylor explained that this expression as used in the *aide-mémoire* indicated that the Bank was only laying the basis for a loan to cover those expenditures under the Ecuadoran development program which were to be made in dollars. He explained that the loan would not be applicable to sucre expenditures for local labor or local materials. Ambassador Plaza stated that he had not understood this previously and added that if this were the case his Government would not have sufficient funds to carry out the projects recommended by the preliminary studies mentioned in the *aide-mémoire*. He said that the sucre require-

⁵⁷ Chairman, State-War-Navy Subcommittee on Latin America.

ments would be beyond the means of Ecuador. Mr. Taylor replied that the Bank necessarily followed this policy in respect to practically all of its loans to foreign countries and that it could not very well make an exception in the case of Ecuador. The Bank would, he emphasized, be in an impossible situation if it undertook to finance the deficits of foreign Governments. Ambassador Plaza said that he understood this. He inquired as to whether the Bank could not find some way to finance a part of the sucre requirements as it had in some cases in the past, but to this Mr. Taylor remarked that the war was over and no such practice would be continued. Ambassador Scotten asked if there might not be some way around the difficulty which the Ecuadorans faced in view of the Bank's policy. Dr. Laso suggested that the sucre requirements of the development program might be included in the Ecuadoran appropriations for the Ministry of Public Works so that these requirements could be arranged for when the yearly national budget was drawn up. Mr. Taylor replied that it was in just such a way that he anticipated sucre requirements would be taken care of.

At this point Mr. Taylor suggested that it was useless to discuss details as to the money to be used for the construction of the projects themselves since, until the preliminary surveys were completed, no one knew what the projects would be. He stressed that the Bank had agreed to make one million dollars available for the preliminary surveys, that only dollar requirements were concerned therewith, and that a considerable period would elapse before there would be any question of sucres; the selection of an engineering firm and the receipt of its report would be time-consuming factors. Mr. Briggs asked how long it would be before the survey was completed. It was Ambassador Plaza's opinion that the whole preliminary work might take two years but that some parts of it could be completed within six months. He said he was basing his opinion on talks with prospective engineering firms. Ambassador Plaza was further of the opinion that work could be begun after particular studies were terminated without waiting for the completion of the countrywide survey.

The question of the amount of the loan came up. It was clear that every one present understood that \$20,000,000 was a ceiling figure beyond which the credit mentioned in the *aide-mémoire* would not be expected to go. It was equally clear that the Eximbank had not committed itself to lend Ecuador a total of \$20,000,000. The way was open up to that amount if Ecuador offered adequate security to satisfy the Bank.

Security for the loan led to a discussion of the tie-up between the loan and the Galápagos base treaty. Ambassador Plaza said that he under-

stood that Ecuador had not been promised \$20,000,000 in return for permitting the United States to operate a Galápagos base. He reviewed, accurately, the loan and base negotiations since the Estrada mission of September 1944 ⁵⁸ and pointed out that he and Mr. Estrada had been told at that time that no discussion of a loan could take place until the matter of a military base was settled. He recalled that Estrada had been seeking a \$20,000,000 loan, that that figure had been mentioned upon numerous occasions since Estrada's visit, and that in consequence of this chain of events the Ecuadoran people had come to think of the Galápagos base as being worth \$20,000,000. Ambassador Plaza correctly said that his Government had been asked several months ago by us to say how much it wished to receive in return for permitting us to operate a Galápagos base but that his Government had not been able to make a suggestion. He added that he understood that the State Department had not been able to obtain a definite figure from the War and Navy Departments. (It was evident that Ambassador Plaza understood the situation very well and that he realized that the Department of State was still seeking an answer to the question: how much will the United States pay for a Galápagos base?)

As for the minimum amount Ecuador would accept for permitting us to operate a base, Ambassador Plaza had no clear conception. He did say that if his country were offered seven, eight or nine million dollars he believed it would simply leave the United States in the Archipelago without a treaty. However, he expressed his confidence that there would not be a "shot-gun wedding" and that some agreement would be reached.

Ambassador Plaza brought up the question of the draft treaty pertaining to the Galápagos base. He explained how no reference to payment had been mentioned therein so that the Department of State and the Government of Ecuador could complete a draft for the use of the base while the matter of payment was being held up pending a decision as to the amount. He said that he had discussed the draft with his Government during his recent visit to Ecuador and that a number of changes had been suggested. He was prepared to bring the altered draft in for discussion with Mr. Braden as soon as Mr. Braden was ready to discuss the matter. The Department would, he hoped, have present the necessary military personnel so that he would not have to repeat his remarks in further meetings.

⁵⁸ Victor Emilio Estrada visited Washington to discuss financial matters as a personal representative of the Ecuadoran President.

811.24522/10-2445

Memorandum by Mr. Henry Dearborn of the Division of North and West Coast Affairs

[WASHINGTON,] October 24, 1945.

In view of Ambassador Scotten's recommendation that we depart from the Salinas base before further clashes between our Puerto Rican troops and the Ecuadorans lead to further bloodshed or to actual killings, and considering the comments made by Messrs Braden, Briggs and Duran on the attached memorandum,⁶¹

It is suggested that the State Department recommend to the War and Navy Departments

1. that this Government immediately turn over to the Ecuadorans such installations and equipment at Salinas as is due them under the supplementary military agreement of February 20, 1942⁶⁰ (see memorandum attached⁶¹), and
2. that the United States withdraw from the base immediately following the accomplishment of this procedure.

In addition, it is suggested that we express to the War and Navy Departments the hope that the items specifically requested by the Ecuadorans in their Embassy's note of September 24, 1945,⁶¹ (a water distiller, an electric generator and a flight control tower) may be included among the installations to be left at Salinas under the military agreement.⁶²

811.24522/10-3045

Memorandum by Mr. Henry Dearborn, Division of North and West Coast Affairs, to the Director of Production Liaison and Coordination, Office of War Mobilization and Reconversion (Searls)

[WASHINGTON,] October 30, 1945.

MR. SEARLS: At Ambassador Scotten's request I am sending you this draft of a Galápagos Base Treaty, accompanied by two drafts of notes which would initiate exchanges of notes⁶³ between Ecuador and the United States immediately upon ratification of the treaty.

⁶⁰ *Foreign Relations*, 1942, vol. VI, p. 370.

⁶¹ Not printed.

⁶² A marginal note indicates that Colonel Collier said that the "War Department wanted to stay at Salinas until further developments."

⁶³ None printed.

This draft treaty is a result of consultations held between officers of the State Department and representatives of the Joint Post War Committee of the Joint Chiefs of Staff. Following the consultations within this Government, officers of the State Department discussed the draft with Ambassador Galo Plaza of Ecuador. He made certain suggestions which were incorporated.

The draft as it now stands has met with Galo Plaza's approval, but we understand that his Government has suggested certain changes which have not yet been communicated to us. We expect to receive information as to these changes soon. Our own Treaty Section is suggesting certain language changes and our Commodities Division wishes to redraft Article V, B with respect to fishing.

HENRY DEARBORN

811.24522/4-345 : Telegram

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

WASHINGTON, November 3, 1945—3 p. m.

642. Ambassador Galo Plaza called at Dept November 1 at his request to discuss Galápagos treaty. You will receive memorandum including details of the conversation.

For your immediate information Ambassador Plaza was told that State Dept has been unable to obtain any commitment from War Dept as to amount latter would pay for use of Galápagos base and that judging from conversations between officers of these Depts War would not consider any sum remotely approximating 20 million dollars. It was emphasized to Plaza that this Govt had never made any commitment whatever as to amount it would pay for Galápagos base and he admitted this.

Negotiations are now at standstill. Plaza urged some action by December 1 so that special session of Ecuadoran Assembly could consider Galápagos matter. He was told in effect that Dept did not anticipate being able to comply with this suggestion in view of his Govt's insistence upon 20 million dollars as minimum.

It is most important, especially in charged atmosphere which may accompany session of Ecuadoran Assembly, that we should be alert to curb any attempt to accuse this Govt of not living up to its commitment with respect to Galápagos. No such commitment has ever been made. If you become aware of any propaganda of this nature please advise Dept immediately.

BYRNES

811.24522/11-2145

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

No. 3706

QUITO, November 21, 1945.

[Received November 30.]

SIR: I have the honor to report that, at a luncheon given by President Velasco Ibarra for Mr. Frederick E. Hasler,⁶⁴ the Minister for Foreign Affairs told me that the President had instructed him to send a note to the Embassy making an official request for a statement as to plans for discontinuing the Military Air Base at Salinas, or for a statement to the effect that the base was not to be discontinued in the near future. The Minister explained that the President anticipated being attacked in the press shortly, either just before or after the Extraordinary Session of Congress convenes on December 1, 1945, and he desired to be in a position to state what steps the Ecuadoran Government had taken regarding this matter and what the plans of the United States Government might be in connection therewith. He asked me to send a telegram immediately in anticipation of his forwarding the note. I did this in my telegram No. 816 of November 19, 6:00 p. m.⁶⁵

The Minister for Foreign Affairs yesterday handed me personally in the Foreign Office his Note No. 59-DDP dated November 20, 1945, a copy and translation of which are attached hereto.⁶⁵ This note goes a good deal farther than the Minister's statement to me in the President's residence. The note states concisely that it considers the war emergency terminated and it requests that the Military Air Base at Salinas be returned to the Ecuadoran Government in accordance with the Agreement of January 24, 1942⁶⁶ at the earliest possible moment.

The note, in addition to requesting that its contents be transmitted to the Department of State, specifically requests that instructions be issued to the appropriate American authority to name representatives to cooperate with those which might be designated by the Government of Ecuador at an early date to carry out the delivery of the base.

The Minister for Foreign Affairs stated that he would be grateful to have the Department's decision in the premises as soon as possible.

Respectfully yours,

GEO. P. SHAW

⁶⁴ President of the Pan American Society of New York.

⁶⁵ Not printed.

⁶⁶ *Foreign Relations*, 1942, vol. VI, p. 366.

811.24522/11-2745

*Memorandum of Conversation, by Mr. Henry Dearborn of the
Division of North and West Coast Affairs*

[WASHINGTON,] November 27, 1945.

Participants: Ambassador Galo Plaza, Ambassador of Ecuador
Mr. Braden, Assistant Secretary of State
Mr. Wright, A-Br⁶⁷
Mr. Dearborn, NWC

Ambassador Plaza called on Mr. Braden this afternoon at the Ambassador's request, to discuss among other matters (see separate memorandum), the Galápagos Base matter.

He stated that since a special session of the Ecuadoran National Assembly was to meet on December 1, 1945, he wished to have something definite to tell his Government about the Galápagos Base treaty by that time. He considered that the political situation would be difficult and he hoped that the United States would immediately come to some decision as to the price it would be willing to pay for the Base. Mr. Dearborn replied that the War and Navy Departments had been asked how much they would be willing to pay for the Galápagos Base but that they had not answered the inquiry; he added that he expected that some answer would be forthcoming before December 1st. Mr. Braden said that the Department should insist on getting something from War and Navy immediately.

Ambassador Plaza then summed up roughly the negotiations since October of 1944. His main point was that the loan from the Eximbank which Ecuador needed very badly had been held up by the Department's decision not to talk about a loan until some agreement had been reached on allowing the United States to use a base in the Galápagos. He said that Ecuador was not even thinking of the Galápagos Base in terms of money until Mr. Armour⁶⁸ had, in the Fall of 1944, connected that matter with the Eximbank loan.* After that, he continued, Ecuador began to think of receiving a payment

⁶⁷ James H. Wright, Special Assistant to the Assistant Secretary of State for American Republic Affairs (Braden).

⁶⁸ Norman Armour, at the time Acting Director of the Office of American Republic Affairs.

*This statement is misleading. Ecuador may not have thought of receiving payment for the wartime use of the base, but there was never any thought on the part of Ecuador of allowing peacetime use of the base by use [*us?*] without compensation. [Footnote in the original.]

from the United States. Since the Estrada mission sought a loan of \$20,000,000 and since later Mr. Rockefeller's letter⁶⁹ covering the *aide-mémoire* of September 1, 1945 mentioned \$20,000,000, the Ecuadoran people began to think of the base in terms of that sum. Ambassador Plaza said that he returned to Ecuador in August 1945 encouraged to believe that he could talk to his Government and people in terms of twenty million dollars.

Mr. Braden thereupon emphasized that this Government had never made any commitment as to the amount which it would pay for the use of a Galápagos base and he thought it would simplify matters if the treaty and loan could be separated so that they would not be thought of together and so Ecuador could deal with the loan without reference to the treaty. Ambassador Plaza agreed that no commitment had been made as to the amount to be paid for the base and said that the separation of the treaty and the loan was just what he wanted and had always wanted. He pointed out that while Ecuador would have immediate use of \$1,000,000 for survey purposes under the *aide-mémoire* of September 1, that country would like to go ahead and use credit for construction purposes as well, especially in the completion of projects already begun. Mr. Braden replied that Mr. Wright and Mr. Dearborn would discuss the separation of the treaty and loan with the Bank immediately.

Upon his departure Ambassador Plaza remarked that if the reply received from the War and Navy Departments named a sum which was "chicken feed" as a payment for the base, it would be better not to let him know about it and to imagine that no reply had been received.

811.24522/11-3045 : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, November 30, 1945—1 p. m.

695. Reference draft note to Galo Plaza which you carried to Quito.

In view of further conversation with Ambassador Plaza in which he again admitted that there had been no "Twenty Million Dollar commitment," Dept has decided not to send him a note on Galápagos Base question at this time. You should however, use substance of draft in conversations with FoMin should he raise the question.

BYRNES

⁶⁹ Letter of August 7, 1945, to Ambassador Galo Plaza (not printed) transmitting text of the proposed *aide-mémoire*.

811.24522/11-2945 : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, December 3, 1945—6 p. m.

702. Matter of Salinas base has been further discussed with representatives War and Navy Departments. You may inform the Foreign Minister in effect as follows re your telegram 833 November 29:⁷⁰

1. Salinas base will be turned over to Ecuadoran Government; as soon as War Department completes plans Ecuadoran Government will be informed of definite date. In this connection a ceremony is suggested at which the American flag would be replaced by the Ecuadoran and speeches made emphasizing the beneficial results of our joint collaboration in hemisphere defense.

2. With regard to the Ecuadoran request that certain equipment, beyond that specified in the agreement, be left for the use of the Ecuadoran Government, the War Department points out that some is highly technical and would be of limited value unless Ecuadoran personnel had been adequately trained. We are prepared, should the Ecuadoran Government so request, to recommend to the War Department that the latter leave at Salinas for the time being a small number (not exceeding 15 or 20) of technical personnel for training purposes and to assist Ecuador to maintain base as a functioning unit.

3. As Ecuador is aware base represents a considerable investment of potential continuing value to hemisphere defense. This Government would therefore welcome a declaration by Ecuador that base will be maintained as well as an agreement giving this Government transit rights and rights of technical stop for its service aircraft which rights would be on a reciprocal basis.

Please discuss the foregoing with the Foreign Minister and report his views by cable.

BYRNES

811.24522/12-445 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, December 4, 1945—noon.

[Received 3:50 p. m.]

841. I read to Minister Foreign Affairs this morning the Dept's 702, Dec 3, 6 p. m., regarding Salinas Base. Minister expressed himself as being in complete accord with all the points covered by Dept's telegram.

⁷⁰ Not printed.

He will make request that we leave a small number of technicians for training purposes.

He will also agree in an exchange of notes giving US transit rights et cetera. In order to avoid any misunderstanding I would appreciate Dept's telegraphing me a clarification of "technical stop" as well as "reciprocal basis", both of which appear in point 3 of Deptel.

SCOTTEN

811.24522/12-745 : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)

WASHINGTON, December 7, 1945—4 p. m.

710. "Technical stop" in Deptstel 702, December 3, refers to landing of military aircraft for non-traffic purposes such as refueling, maintenance, repairs, etc. Reference to "reciprocal basis" indicates that Ecuadoran military aircraft would have same rights at bases in Continental United States, Puerto Rico and Virgin Islands as United States would have at Salinas.

It is not the purpose of this interpretation of "reciprocal basis" to prevent Ecuadoran military aircraft from entering Canal Zone. Such flights could be made after receiving prior authorization from Commanding Officer in Canal Zone, a procedure made necessary by the special security requirements pertaining to that area.

BYRNES

811.24522/12-845 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, December 8, 1945—4 p. m.

[Received 11:12 p. m.]

861. When the Minister Foreign Office handed me this morning note 298 transmitted to the Dept in my 860, Dec 8, 1945,⁷² he stated that the President urgently requests for the sake of public opinion here that the War Dept announce immediately a definite date for the return of the Salinas base. The Minister explained that he regretted to be so urgent about this matter and that any date in the near future would be satisfactory, but what the President desired, was to be able to inform Congress of a definite date before Congress adjourns next Tuesday.⁷³

⁷² Not printed.

⁷³ In telegram 715, December 10, 1945, the Department informed the Embassy that the War Department had indicated that the Salinas base would be turned over on or before February 1, 1946 (811.24522/12-845).

The Minister further informed me that while his Govt is entirely exposed [*disposed*] to permit transit rights for our airplanes after the base is turned back to Ecuador, the President prefers to make this arrangement after the base is returned instead of making it appear to the public here that the granting of these rights is a condition which we have imposed for securing the return of the base.

The Minister further explained that it would be more acceptable to public opinion for the American technicians which remain here to be under the direct control of our Aviation Mission than for these technicians to be under the control of the Caribbean Defense Command. He explained that should the technicians remain under the control of the Caribbean Defense Command, it would create the impression that we were actually maintaining an American base at Salinas, whereas, if they are placed under the control of the Air Mission no such impression will exist.

In general, I perceive no serious objection to the Ecuadoran position as set forth above and I believe that no trouble will be experienced in obtaining transit rights, etc. Furthermore, as the maintenance of the small group of technicians was actually suggested to me by Major General Walsh as being in our own interests I am hoping that this group can be attached to our Air Mission without expense to the Ecuadoran Govt. Reference my 841, Dec 4, noon.

SCOTTEN

822.24/12-1145

The Secretary of State to the Ambassador in Ecuador (Scotten)

No. 1367

WASHINGTON, December 11, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Ecuadoran Embassy in Washington together with a copy of Statement LL-6,⁷⁴ showing charges made against the Government of Ecuador during the period from June 1, 1945 through August 31, 1945 for defense matériel transferred to Ecuador under the Lend-Lease Agreement signed on April 6, 1942.

It will be noted that the amount of charges during the period under reference is \$12,477.77, and that charges through August 31, 1945 for all matériel transferred to Ecuador aggregate the grand total of \$5,965,367.04. Of this grand total the sum of \$210,000 represents the approximate appropriate percentage due on account. A payment of \$209,000 was received in October of this year.

Very truly yours,

For the Secretary of State:
JAMES C. DUNN

⁷⁴ Neither printed.

811.24522/12-1145

The Ecuadoran Ambassador (Galo Plaza) to the Secretary of State

[Translation]

WASHINGTON, December 11, 1945.

EXCELLENCY: I have the honor to address Your Excellency under instructions from my Government, and to request your valuable co-operation to the end that the Government of the United States of America may consent to provide Ecuador with the necessary technical experts for the operation of the signal tower of the Salinas military base.

It happens that the Salinas military base will shortly be turned over by the American authorities to the Ecuadoran authorities, for which reason the Government of Ecuador, desirous of keeping that base in the best condition possible, is interested in having the necessary technical personnel for the operation of the signal tower. The presence of the technicians would be required only for the period necessary to train properly the Ecuadoran personnel that will take their place.

I wish to thank Your Excellency in advance for such attention as you may deem fit to accord this note,⁷⁵ and I avail myself [etc.].

GALO PLAZA

811.24522/12-2845

The Ambassador in Ecuador (Scotten) to the Secretary of State

No. 3806

QUITO, December 28, 1945.

[Received January 4, 1946.]

SIR: With reference to my telegram No. 899 of December 28, 1945⁷⁶ I have the honor to inform the Department that General John L. Homer, accompanied by four officers of the staff of the Caribbean Defense Command, arrived in Quito yesterday for the purpose of discussing with myself and the Ecuadoran authorities, arrangements for the turning over of the Salinas base to Ecuador.

Upon General Homer's arrival, we had a lengthy discussion in the Embassy which was attended by the Chief of the United States

⁷⁵ In a reply of January 30, 1946, the Department informed the Ecuadoran Ambassador that the War Department was agreeable to leaving 20 men at the Salinas base only so long as needed and only for the purpose of training Ecuadorans in tower control, communications operations, and maintenance (811-24522/1-3046).

⁷⁶ Not printed.

Aviation Mission, the Assistant Chief, myself and General Homer and his staff. General Homer brought with him a detailed inventory of all the equipment at the Salinas base. He emphasized that the Caribbean Defense Command was desirous of having the base maintained by the Ecuadoran Armed Forces in order that the runways and communications facilities might be made available to the American military airplanes which would pass through in transit between the Canal Zone and our bases in the Galápagos. He explained that while it is the hope of our Air Force to maintain a base at Talara and while our planes will probably utilize the Talara base much more than the runway at Salinas; nevertheless, it is important that the Salinas runways be kept up at all times.

For the reasons set forth above, General Homer stated that he favored turning over to the Ecuadorans free of charge as much equipment as possible to assist them in maintaining the base after it is evacuated by our forces. He stated that at the present time there were nine water distillation plants at Salinas, and that of these, seven are urgently needed at the base in the Galápagos. Two could therefore be left for the Ecuadorans without inconvenience to our own forces. As regards the other equipment on the base, General Homer stated that should it be removed, it would be transported to Panama, which would entail considerable expense to our Government, and under present conditions he felt that after its arrival in Panama it would deteriorate rapidly to a point where it would no longer be of use to the American Armed Forces.

He asked my opinion regarding the advisability of turning over this material to Ecuador free of charge, and I told him that in my despatch No. 3432 of September 10, 1945⁷⁷ to the Department, I had actually recommended that all of the equipment at the base be turned over to Ecuador. I explained that I felt this would not only create a most favorable impression here, but that I felt that unless we did turn over practically the whole equipment it would be difficult, if not impossible for the Ecuadoran Armed Forces to maintain and operate the base after the departure of our troops. General Homer informed me that the Caribbean Defense Command contemplated sending a general officer to Washington within the next few days with a detailed inventory of the equipment and that in view of the fact that I was in agreement with him as to the advisability of turning over practically all of the equipment, this general officer would take up this matter in Washington with a view to securing the necessary authorization. He men-

⁷⁷ Not printed.

tioned that this question would probably be eventually referred to the division of the Department which is handling surplus property disposal, and he hoped that the Department would give this matter favorable consideration. I repeated to General Homer that his ideas and mine appear to coincide exactly and said that I would urge the Department to do everything possible to see that the base was turned over to the Ecuadorans intact without charge to Ecuador, excepting those first items of equipment which the Caribbean Defense Command desired to transfer to the bases at Galápagos.

In the afternoon General Homer and I called upon the Minister for Foreign Affairs and the Minister of Defense.⁷⁸ The date of February 1 was fixed as the definite date upon which the base would be turned over. The Minister for Foreign Affairs said that he had planned to make an official visit to the United States during the month of January, but he would postpone his trip until after the base was actually turned over. Both the Minister for Foreign Affairs and the Minister of Defense informed General Homer that they were entirely disposed to grant our planes transit rights, and they both expressed the desire to maintain the base and especially the runways in an operating condition in order that our planes might be able to use them. They also expressed the hope that we would assist them to maintain the base by turning over as much equipment as possible. General Homer informed both Ministers that although he was without authorization to commit our Government on this question, he would personally recommend the turning over of this equipment. Both Ministers seemed greatly pleased at this attitude on General Homer's part. General Homer explained that once a decision is arrived at in Washington as to what material may be turned over, he will return to Ecuador for further discussions of the details with the Ecuadoran Army officers who are designated by the Minister of Defense to receive the equipment, etc. In the course of the conversation with the Minister for Foreign Affairs he informed General Homer and myself that the voluntary turning over of equipment on the part of the United States at Salinas would create a most favorable impression on public opinion in Ecuador and would assist in the Galápagos negotiations.

In view of the general questions of policy set forth above, I venture to reiterate the recommendation in my despatch No. 3432 of September 10, 1945 that all of the equipment at the Salinas base outside of that vitally needed at other American bases be turned over to the Ecuadoran Government with no cost to the latter.

Respectfully yours,

R. M. SCOTTEN

⁷⁸ Col. Carlos Mancheno Cajas.

AGREEMENT BETWEEN THE UNITED STATES AND ECUADOR DEFINING THE MILITARY SERVICE DUE BY NATIONALS OF EACH COUNTRY RESIDING IN THE OTHER

[For text of the agreement, effected by an exchange of notes signed at Washington, April 2 and April 5, 1945, see Department of State Executive Agreement Series No. 475, or 59 Stat. (pt. 2) 1598.]

EFFORTS TO SECURE THE COOPERATION OF THE ECUADORAN GOVERNMENT IN THE ELIMINATION OF AXIS BUSINESS INTERESTS⁷⁹

740.22112 RP/7-1945: Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, July 19, 1945—6 p. m.

[Received July 20—3:25 a. m.]

551. The press of July 16 carried a first notice signed by the Secretary of the Permanent Legislative Committee advising all persons interested in the legislative decree of March 2 (submitted to Department in despatch 2839 of March 20, 1945)⁸⁰ to present their claims, et cetera, before the Permanent Legislative Commission within a period of 30 days from the third publication of this notice which appeared yesterday.

I am informed that a strong pressure has been exerted upon the Permanent Legislative Committee by several of the former Axis owners of blocked properties to have the properties returned to these former owners and that the Committee is disposed to do so. This question was discussed with the Minister of Economy (see my 27, January 10,⁸⁰ and despatch 2839, March 20) and while the Minister of Economy gave the Embassy to understand clearly that he would not permit the return of these properties to the original owners, the Embassy has no written commitment from this Government to that effect.

I have been awaiting the Department's airgram mentioned in your telegram 367, June 6,⁸⁰ before taking official action and until those instructions are received it is difficult to formulate a course of action here.

On July 11 the Committee promulgated a regulatory decree interpreting the decree of the National Assembly of March 2 which empowers the Permanent Committee to return the properties to their

⁷⁹ For previous documentation, see *Foreign Relations*, 1944, vol. VII, p. 1079 ff.

⁸⁰ Not printed.

former owners, should the Committee so desire. A copy and translation of this decree which has just been published in the press is being forwarded to the Department by air mail in despatch 3268, July 19.⁸²

I am, of course, aware of our policy regarding the return on these properties to their original owners as set forth by Assistant Secretary Clayton (Department's radio bulletin 151, June 25) and record of action of Interdepartmental Committee on July 2.

Prior to making any official representations, the British Minister and I discussed this matter today with ex-Minister Laso who had the understanding with us last January which is cited above. Laso was in entire agreement as regards the commitment he had made at that time and stated that he will speak to the President⁸³ tomorrow and urge that action be taken vis-à-vis the Permanent Legislative Commission to modify its decree. After the Department has had opportunity to study despatch 3268, I would appreciate the receipt of instructions as to what official representations I should make in case necessity arises.

Ecuadoran internal politics are involved in this matter as several of the former Axis owners have influential connections with the present Government.

SCOTTEN

740.22112A/7-645 : Telegram

*The Acting Secretary of State to the Ambassador in Ecuador
(Scotten)*

WASHINGTON, July 27, 1945—6 p. m.

463. Reurtel 551, July 19. Dept concerned over possibility properties may be returned former Axis owners. Dept commends discussion with Laso. Please watch situation carefully and report any new developments. Despatch 3268⁸⁴ not yet recd. Dept contemplated sending hard core criteria in airgram mentioned Dept's 367, June 15.⁸⁴ Transmittal criteria Record of Action July 16, made airgram unnecessary. Dept will soon review Proclaimed List for Ecuador and select proposed hard core which will be submitted for your comments.

Reurtel 515, July 6.⁸⁴ Report any representations by Ecuadoran Govt for deletion Ecuadoran citizens.

GREW

⁸² Not printed; for description of the decree referred to, see instruction 1242, August 11, to Quito, p. 1039.

⁸³ José María Velasco Ibarra.

⁸⁴ Not printed.

740.22112 RP/8-345 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, August 3, 1945—11 a. m.

[Received 11:52 p. m.]

598. Re Dept's 463, July 27. The British Minister discussed informally yesterday with the Minister of Economy the blocked properties situation with special reference to Article 11 of the decree dated July 11, 1945 reported to the Dept in my despatch 3268 July 19⁸⁵ which gives the Commission authority to return the properties to the Axis owners. The Minister of Economy indicated that he personally agreed with our point of view but that the President was somewhat undecided about the whole matter. The Minister stated that it would be of the greatest possible help to him if the British Minister and I could let him have a draft copy of any changes we wished made in the decree of July 11. He did not desire this as a formal note and indicated it need not even be signed. He explained that if he had this he could talk to the President in definite terms and he felt that possibly we could succeed in having the decree modified as we desired.

I believe the Minister's suggestion to be practical as I think this Govt is in some doubt as to exactly how we wish the matter to be handled. I recommend, therefore, that the Dept study the decree and send me either by telegram or airgram at the earliest possible date a redraft of any articles in the decree it considers objectionable. I trust the Dept will expedite this matter as I am apprehensive that at any time the President may issue a decree authorizing the return of some of these properties to their Axis owners.

SCOTTEN

740.22112 RP/8-345

The Secretary of State to the Ambassador in Ecuador (Scotten)

No. 1242

WASHINGTON, August 11, 1945.

The Secretary of State refers to the Embassy's telegram no. 598 of August 3 requesting the Department's views concerning possible changes to be made in the Regulatory Decree of July 11 relating to the modification of action taken under the 1943 vesting and forced sale decrees of the Ecuadoran Government.

⁸⁵ Not printed.

BACKGROUND

The basic decree under which transfers of Ecuadoran property have been effected is no. 854 of June 11, 1943. Article I of this Decree authorizes the Minister of Finance to vest, liquidate or transfer properties belonging to Axis nationals or Proclaimed List nationals and persons assisting the Axis war effort.

Regulatory Decree no. 380, dated July 28, 1943, created, in the Ministry of Finance, a Commission called "Control of Blocked Properties", the Director General of which is given the powers specified in Decree 854. Article XII of this Regulatory Decree authorizes the Director General, after a proceeding to evaluate the assets, "to determine the manner of transferring ownership", to call for bids and to determine, with the Minister of Finance, the persons to whom the sale shall be made. Article XIII provides that the Minister of Finance, by virtue of Decree 854, "has the power to give a valid and legal title to the concessionaire and the Registrar of Property shall be required to inscribe it as such."

While the 1943 Decree no. 854 authorizes either a vesting (expropriation) procedure or a forced transfer procedure, it would appear from the 1943 Regulatory Decree no. 380 that the latter procedure was followed; namely, that the state did not take a full title and thereafter transfer it to the satisfactory purchaser but, instead, forced the transfer from the pro-Axis owner directly to the satisfactory purchaser. It is understood that in practice, these transfers were in some cases made by deeds from the pro-Axis owners to Ecuadoran citizens and that in some cases the satisfactory purchasers took their title from the Minister of Finance acting for the former owner.

The next decree is the one of March 2, 1945. It declares that all transfers of real and industrial properties effected under the 1943 procedure are "null and void" except that the transfers which had been made to public and quasi-public Ecuadoran agencies are confirmed unless such agencies request that the transfer be annulled. This decree adds that the "transfers which are annulled will return to the power of the state" and says that the permanent legislative committee, in agreement with the Executive, may deal with the properties in question one of three ways: (a) they may "hold the properties for the state"; (b) they may arrange for them to be sold at public auction; (c) they may deal with them in any of the ways described in Washington Resolution VII⁸⁶ (i.e. forced transfer, total liquidation, blocking or intervention). The only exception to the foregoing

⁸⁶ For text, see Pan American Union, Congress and Conference Series No. 40: *Proceedings of the Inter-American Conference on Systems of Economic and Financial Control* (Washington, 1942), p. 155.

is that Ecuadoran citizens (either by birth or by naturalization prior to September 1, 1938) shall immediately regain their properties unless they have demonstrated in any way retention . . .⁸⁷ of foreign nationality before or after the blocking”.

The next and last Decree is one of July 11 which attempts to specify procedure for implementing the March 2, 1945 Decree.

In respect of the present state of the title to the properties in question, this Decree provides that the “present [satisfactory]⁸⁸ grantees will be considered owners in good faith until March 2, 1945, and from then on, in the absence of proof to the contrary, until the duly executed resolution”. This provision, considered in connection with the provision that the resolutions of the permanent legislative committee “will not have any legal effect nor serve as a sufficient title to property until the date of their inscription in the appropriate property register”, are construed to mean that the titles transferred under the 1943 procedure are not effected unless and until the necessary steps defined in this Decree are taken.

Various types of cases are to be handled in various ways:

1) Real and industrial properties which have been transferred to public and quasi-public agencies of the Ecuadoran Government are to be returned only if the agency in interest affirmatively indicates that it no longer desires the property; in which event orders will be issued “in harmony with the provisions of this decree”.

2) In respect of properties which have been transferred to private individuals and concerns, a list of such properties is to be compiled and submitted to the President who shall indicate which properties, if any, he considers should “pass to the ownership of the state”. With the exception of properties described in the next succeeding paragraph, the remaining procedures are understood to refer solely to properties which the state elects not to acquire.

3) Properties taken from native born Ecuadorans or from Ecuadoran citizens naturalized prior to September 1, 1938 are to be returned to their former owners; except that property which the state has already acquired is to be retained by the state at its option.

4) In respect of the remaining properties (i.e. those other than properties which the state already owns, properties which the Executive may elect to acquire for the state, and properties taken from Ecuadoran citizens) the Legislative Commission may apply any of the following measures:

- a) sell at public auction
- b) forced sale
- c) total liquidation
- d) blocking
- e) occupation
- f) intervention

⁸⁷ Omission indicated in the original instruction.

⁸⁸ Brackets appear in the original.

Measures *d*), *e*) and *f*) may be applied concurrently with the return of these properties to their former owners.

The Decree specifies the following categories to which one or more of these measures may be applied, namely:

a) Property formerly belonging to Japanese nationals currently included in the Proclaimed or Statutory Lists will either be ordered to be totally liquidated or the sale of the Japanese interests will be forced.

b) Property formerly belonging to "foreigners" currently included in the Proclaimed or Statutory Lists will be liquidated, sold, occupied, administered or temporarily left for the present grantees to administer, as the legislative committee may desire.

c) Property formerly belonging to "foreigners" who resided in Ecuador prior to January 1, 1936 "with evident good conduct" whose names are currently included in the Proclaimed or Statutory Lists may be transferred to the administration and ownership of their former proprietors under the control of an interventor.

The foregoing summary is limited to the provisions which seem to control the issue with which the Department is most concerned; namely, the possibility that unsatisfactory owners may recover the property which has been taken from them under the 1943 procedure. No effort has been made to summarize provisions relating to compensation due the former unsatisfactory owners or to the present grantees, procedure provisions, and other provisions which only incidentally bear on the property question. Since this summary has been made rather quickly it will be appreciated if the Embassy will indicate in what respects it may not be accurate.

GENERAL CONSIDERATIONS

The two 1945 Decrees are objectionable in principle for the reason that they reopen the entire question of formulating a list of persons whose properties should be subjected to vesting, forced sale, or liquidation; a question which was decided by the previous administration in consultation with the American and British Embassies. The principal objection to these decrees is that they evidence a tendency to undo everything which has been accomplished in the Replacement Program and threaten to reinstall unsatisfactory owners in their former positions. The Officer in Charge will, therefore, doubtless wish to point out to the Ecuadorans this Government's concern regarding the whole tenor and effect of both of the 1945 Decrees.

If the entire question must be reopened—and it is apparent that such is the intention of the Ecuadorans—the question is the narrow one of whether the previous administration erroneously deprived the persons in question of their properties. This must be determined on a case

by case basis. The standards by which each case is to be tested are set out in Resolution V of the Washington Conference, which was adopted in conformity with Resolution V of the Rio Conference, and which was recently reaffirmed at Mexico City in Resolution XVIII.⁸⁹ This Article states:

"The Inter-American Conference on Systems of Economic and Financial Control

RECOMMENDS:

"1. That the application of the economic and financial controls of the Governments of the American Republics, during the present emergency, should have as one of its objectives the control of the property and transactions of all persons, real or juridical, residing or situated within their respective jurisdictions, regardless of nationality, who by their conduct are known to be, or to have been, engaging in activities inimical to the security of the Western Hemisphere.

"2. That each of the Governments of the American Republics, through the application of its economic and financial controls, *eliminate from the economic life of the respective country all undesirable influence and activity* of those persons, real or juridical, residing or situated within the American Republics, who are known to be, or to have been, *engaging in activities inimical to the security of the Western Hemisphere.*" (underlining added)⁹⁰

The construction which has by common consent been placed on this and similar resolutions is that the elimination of undesirable individuals and concerns from the economic life of an American Republic requires something more than intervention, occupation or administration. To eliminate permanently their influence and activities it is necessary to vest, liquidate or force the sale of their properties and to insure that they shall not regain their titles.

The key-words are "engaging in activities inimical to the security of the Western Hemisphere"; that is to say, in each case the test should be, not one of nationality, but whether the individual in question comes within the terms of the resolution which is quoted above.

In determining whether or not in a given case the former owner is entitled to the return of his property, it is most important that the Ecuadoran Government consult with the Embassy prior to taking definitive action. Such a prior consultation would enable the Embassy to make available to the Ecuadoran authorities evidence which may be pertinent to a proper determination of the case, including evidence which is now available in Germany and which is beginning to reach the Department in considerable volume. Such consultation is clearly

⁸⁹ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945*, pp. 55-57.

⁹⁰ Printed in italics.

contemplated in Resolution VIII of the Washington Conference and in Mexico City Resolution XVIII.

It is pertinent to observe that mass deletions have been made in the Proclaimed List for Ecuador not because deletion was merited by the cases but because of wartime controls which had been put into effect by the Ecuadoran Government; and particularly because of the action which had been taken to effect what then seemed to be a permanent and irrevocable separation of certain undesirable owners from their property. If a substantial portion of these properties are now returned to their former owners the whole basis for the reduction of the list in Ecuador will have disappeared and a reconsideration of the entire question will be necessary. These remarks are particularly pertinent to the provisions in the decree referring to persons who are "*currently* included in the Proclaimed List"—the inference being that deletions have been made on the basis of merit.

SPECIFIC PROVISIONS

[Here follow specific comments on various articles of the Decree of July 11, 1945.]

740.22112 RP/8-445 : Airgram

The Acting Secretary of State to the Chargé in Ecuador (Shaw)

WASHINGTON, October 4, 1945.

A-348. Reference your despatch no. 3315 [3316] of August 4, 1945⁹¹ concerning the disposition of blocked Italian properties in Ecuador.

As intimated in the Department's instruction no. 1242 of August 11, 1945, the matter must be determined on a case by case basis and the standards by which each case should be tested are set out in Resolutions V and VII of the Washington Conference. In each case the test should be, not one of nationality, but whether the individual in question comes within the scope of "engaging in activities inimical to the security of the Western Hemisphere".

With regard to the policy of the Alien Property Custodian, it was agreed in 1943 that Italian property in the United States would not be vested in the future in instances where vesting might be proposed simply because of the Italian nationality of the owner of the property. In January 1945 agreement was reached within this Government that the Custodian would adopt a policy of refraining from selling property vested from Italian owners with the exception of cases which might present situations in which the public interest of the United

⁹¹ Not printed.

States might require a different policy. Under the Trading with the Enemy Act, as amended,⁹² the Custodian has no authority to return Italian property which has already been vested and such property must remain in the custody of the Custodian until such time as a Congressional determination on disposition of such property is made. Such determination has not been made as yet.

The Council of Foreign Ministers meeting in London⁹³ has been considering questions relating to the disposition to be made of Italian property abroad in connection with the drafting of the treaty of peace to be concluded with Italy.

ACHESON

740.22112A/10-1145 : Telegram

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

WASHINGTON, October 11, 1945—5 p. m.

607. Working Party of the IDPL Committee¹ which is selecting hard core for WH after considering Ecua[doran] PL² on basis of 2848 of Mar 22³ has come to conclusion that unless situation re return of properties to former owners has improved since Depts 1242 of Aug 11 there should be no further reduction of List for Ecua[dor] and present List should be considered hard core.

However, Working Party will consider any inconsequential names which you believe could be deleted in Nov (when gen'l reduction to hard core is scheduled to occur) without injury to efforts to forestall return of property.

Please consult British and Canadian colleagues and report whether you concur with general conclusion and cable any names for Nov deletion immediately.

BYRNES

740.22112A/10-1645

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

No. 3570

QUITO, October 16, 1945.

[Received October 25.]

SIR: I have the honor to refer to the Department's telegram No. 607 of October 11, 6 [5] p. m., 1945, concerning the selection of a hard core

⁹² Act approved October 6, 1917, and amended by the First War Powers Act, approved December 18, 1941; 40 Stat. 411 and 55 Stat. 839.

⁹³ For documentation on this meeting, see vol. II, pp. 99 ff.

¹ Inter-departmental Committee on the Proclaimed List.

² Proclaimed List.

³ Not printed.

Proclaimed List for Ecuador, and to the Embassy's telegram No. 749 of October 16, 5 p. m., 1945,⁵ stating that the Embassy's detailed Proclaimed List recommendations were being forwarded in the present despatch. Reference is made also to the Department's instruction No. 1242 of August 11, 1945, concerning suggestions for changes in the Permanent Legislative Committee's July regulatory decree relating to the modification of action taken under the 1943 vesting and forced sale decree of the Ecuadoran Government, and to previous communications concerning the possibility of the return of adjudicated properties to the former Axis owners.

Upon receipt by the Embassy of the Department's instruction No. 1242, with its detailed comments on the two 1945 decrees affecting the disposal of adjudicated properties, the British Legation was consulted regarding joint action to be taken by the two Missions. The British Legation had already received authorization to protest to the Ecuadoran Government regarding the tenor of the two decrees. It was determined that the two Missions should present to the Ecuadoran Government notes setting forth the respective reactions of the Governments of Great Britain and the United States and should, in addition, present jointly to the Minister of Economy the informal note requested by him suggesting changes to be made in the regulatory decree issued by the Permanent Legislative Committee. Reference is made to the Embassy's telegram No. 598 of August 3, 11 a. m., 1945.

On August 11, the Embassy addressed to the Ecuadoran Acting Minister for Foreign Affairs⁵ a note expressing the concern of the United States Government with the possible effects of recent Ecuadoran legislation regarding adjudicated blocked properties. A copy of the English text of the Embassy's note No. 210, with the unofficial Spanish translation, is enclosed.⁶ The parallel note of the British Legation was transmitted to the Ecuadoran Government on the following day.

The memorandum listing suggested changes in the regulatory decree was prepared by the Embassy on the basis of the Department's instruction No. 1242 of August 11 and was to be submitted informally to the Minister of Economy by the Ambassador and the British Minister. At this time the Embassy was advised in confidence that the Acting Minister for Foreign Affairs had informed the Minister of Economy that action with respect to the Embassy's note No. 210 of August 17 and the entire problem of disposition of blocked properties lay within the exclusive jurisdiction of the Foreign Office, because of their relation to Ecuador's international commitments. In view of this cir-

⁵ Presumably Rodrigo Jacome Moscoso, Under Secretary for Foreign Affairs.

⁶ Not printed.

cumstance, it was felt that any further direct approach to the Minister of Economy on the part of the Embassy might be resented in the Foreign Office, and the confidential memorandum was not presented.

The Ecuadoran Government presented a reply to the Embassy's note No. 210 in Ecuadoran Foreign Office Note No. 209-DCC of August 25, 1945. In this communication, the new Minister for Foreign Affairs, Dr. José Trujillo, stated that he would study carefully the matter under reference and inform the Embassy of his decision in due time; meanwhile, the Embassy could be assured that the Executive Power would take international agreements into account. A copy of the Spanish text of note No. 209-DCC and an English translation thereof are enclosed.⁷

The texts of the notes of the Embassy and the British Legation on the blocked properties situation were communicated to the Permanent Legislative Committee by the Minister for Foreign Affairs. The answer of the Secretary of the Permanent Legislative Committee was published in *El Día* of August 25, 1945 in an article (enclosed) appropriately headed "Indefinite Situation".⁸ The Secretary is said to have stated that the legal provisions under reference (the March 2 decree and the July regulatory decree on blocked properties) do not in any case imply the obligatory return of the properties to the former owners who are on the black lists. This statement would appear to be an attempt to placate the British and United States Missions and the opposition within the Government to the return of the properties to the former owners, at the same time leaving the way clear for any later decision the Committee may wish to make in favor of return of the properties. The reference to "former owners who are on the black lists" is an obvious evasion of the main point at issue, the possibility of return of the properties to enemy ownership, since it is a matter of common knowledge that most of the names of former owners of adjudicated properties are no longer included in the lists. It will be recalled that the reason for such deletions has been stressed in local publicity releases, and it was also emphasized in the Embassy's note No. 210 of August 17 that mass deletions in Ecuador had been made not on the basis of the merits of individual cases but because of controls effected by the Ecuadoran Government, and particularly because of the transfers of blocked properties of undesirable owners.

The March 2 decree of the National Constituent Assembly concerning the annulment and ratification of adjudications of blocked properties set a 180 day period within which the Permanent Legislative Committee must decide all matters to which the decree refers, counting from the date on which the Committee should begin to function.

⁷ Not printed.

⁸ Not reprinted.

Reference is made to the Embassy's despatch No. 2839 of March 20, 1945,¹⁰ concerning the decree annulling adjudications of blocked properties. The Permanent Legislative Committee began its work on April 1, 1945 and the 180 day period expired on September 17. During this period various claims concerning blocked properties were presented to the Committee, but no decisions were reached by it. The present holders of the property took the stand that the Committee had no further jurisdiction in the matter after September 17, hoping by this means to delay a decision until the next meeting of the Assembly; however, the Permanent Legislative Committee decided that it was still competent to examine and resolve all matters pertaining to annulled adjudications of blocked properties. An article in *La Patria* of September 22 reported the above decision of the Permanent Legislative Committee and stated that two members of the Committee had been charged with interviewing the President to inform him regarding the blocked properties situation and to discuss means of financing the purchase of blocked properties the State may wish to retain.

No additional official statements by the Government or by the Permanent Legislative Committee have appeared. It will be seen from the developments outlined above that the eventual disposition of the blocked properties remains problematical. The Embassy does not believe that the Proclaimed List for Ecuador should be reduced further until more satisfactory guarantees are received to the effect that the adjudicated blocked properties will not be returned to their original owners.

The Embassy recommends that the twenty-three names included in Category "A" of the Embassy's despatch No. 2848 of March 22, 1945¹⁰ be retained as the hard core list for Ecuador.

It is recommended that the names listed below be deleted upon the fulfillment of the following specific conditions:

1. The receipt from the Ecuadoran Government of adequate written guarantees that the blocked properties will not be returned to the former enemy owners, or the arrival at a final satisfactory solution regarding disposition of these properties;
2. In the case of Clemente Baquerizo, the establishment of satisfactory proof that the funds blocked in his name are his own and are not being held in safekeeping for the German Schering Company;
3. In the cases of Alfredo Brauer Gehin, Leopoldo M. Brauer Gehin Jr., Otto Heinrich Carstanjen, Augusto Ernesto Ridder, Max Rueff, and Heinz Schulte, the announcement that the deportation to Germany of the subjects under reference has been carried out.

[Here follows list of 42 persons and companies.]

If the Department concurs with this procedure, it is respectfully requested that the Embassy be authorized to advise the Ecuadoran

¹⁰ Not printed.

Government informally and orally that a substantial reduction of the Proclaimed List is being effected in the November supplement and that it is regretted that Ecuadoran names could not be included in the deletions, in the absence of satisfactory guarantees with reference to the disposition of blocked properties.

The British Legation is in agreement regarding the approach to the Ecuadoran Government suggested above and concurs with the Embassy's opinion regarding the inexpediency of further deletions under existing circumstances. While it appeared in a preliminary discussion that the British Legation was in agreement regarding the selection of names which might be deleted in the event of a satisfactory solution of the blocked properties problem, a more detailed discussion indicates that there are some divergencies. . . .

Respectfully yours,

GEO. P. SHAW

740.22112A/10-2345: Telegram

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

WASHINGTON, October 25, 1945—6 p. m.

632. Urdes 3570, Oct. 16, and urtel 759, Oct. 23¹¹ and Deptel 607, Oct. 11. Dept commends Chargé for personal attention this problem and concurs intention to follow Dept's recent instructions. You are authorized to inform ForOff informally for its confidential info that substantial reduction of PL is contemplated for many countries at early date and that commensurate reduction for Ecuador is extremely unlikely in absence satisfactory guarantees with reference disposition blocked properties.

BYRNES

740.00112A EW/11-1045: Telegram

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

QUITO, November 10, 1945—8 p. m.

[Received November 12—12:56 a. m.]

798. ReDepcirtel October 30,¹² concerning hard core Proclaimed List and confidential memorandum prepared in ES¹³ October 1 addressed to Working Party giving case summaries for Ecuador. Latter document obtained from British as no copy has been received by Embassy.

FonOff note November 7 received yesterday afternoon offers guarantee that Ecuadoran Government will not under any circumstances

¹¹ Telegram 759, October 23, not printed.

¹² Not printed.

¹³ Division of Economic Security Controls.

return blocked properties to former Axis owners and renews request that all Ecuadoran names be deleted from Proclaimed List. Embassy's note of November 9 in reply ¹⁴ states Department being advised of assurances and that Embassy recommends all Ecuadoran names be deleted except those Dept may consider most serious. ForMin also states that as Permanent Legislative Commission did not act on disposition of blocked properties within 180-day period prescribed by decree of March 2 any further action in the premises normally would not be taken until next ordinary Congress meets in August 1946. He assured me personally and orally that no such action would be taken. I delivered my reply to ForMin note in person at which time I pointed out that I would take as broad recommendations as possible but that I could give no assurances that Dept would agree or act on my recommendations. Mydes 3666 of November 9 ¹⁵ confirming my recommendations herein below, together with copies of notes mentioned above, going forward tomorrow's airmail sack.

I recommend Dept accept ForMin's assurances as reasonable guarantee properties will not be returned to former Axis owners. This recommendation made because the names suggested for removal are really unimportant and have been retained largely as a bargaining point to obtain the assurances or guarantee mentioned above. It is realized Congress might take action contrary to the executive guarantee but if matter remains dormant until August 1946 this seems unlikely.

[Here follows recommendation for retention of 37 names on hard core list and deletion of all other names.]

The British agree on all recommendations herein except the one just mentioned.¹⁶

I would appreciate a brief indication of the Dept's action on the above as soon as it is taken so that I may advise ForMin who is under attack politically and who is extremely desirous of being able to state as much in advance of the Congress of December 1 as possible that his efforts have resulted in a substantial list of deletions.¹⁸

SHAW

¹⁴ Neither note printed.

¹⁵ Not printed.

¹⁶ This concerned the deletion from the Proclaimed List of one Rafael Pino Roca.

¹⁸ According to telegram 672, November 19, 1945, 8 p. m., to Quito, the deletions were approved by the Inter-departmental Committee on the Proclaimed List (740.00112A E.W./11-1045).

462.00R/11-2145

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

No. 3711

QUITO, November 21, 1945.

[Received December 4.]

SIR: I have the honor to refer to the Department's circular telegram of October 30, 1945 ¹⁹ giving the Department's views on the vesting of German external assets in the other American Republics. This matter was discussed with the Minister for Foreign Affairs and the information given to him was confirmed by the Embassy's note no. 285 of November 2, 1945. He said the matter required careful study and he would give his Government's views in due course.

As a result of the conversations on the subject and the note above mentioned, Foreign Office note no. 281-DDP dated November 17, 1945 has now been received. It is an acknowledgment of the above-mentioned communications and states in addition that the Government of Ecuador is in agreement that the suggestions made should be treated in the Inter-American Technical Economic Conference ²⁰ and that appropriate instructions were sent to the delegate of Ecuador to that Conference.

A copy and translation of note no. 281-DDP are enclosed herewith for the information of the Department.¹⁹

Respectfully yours,

GEO. P. SHAW

**PARTICIPATION OF THE UNITED STATES IN THE ECONOMIC
DEVELOPMENT OF ECUADOR**

822.50/3-2345

*Memorandum by Mr. Rollin S. Atwood of the Division of North and
West Coast Affairs* ²¹

[WASHINGTON,] March 23, 1945.

ECUADORAN DEVELOPMENT CORPORATION ²²

While reducing volumes to a paragraph I feel the following are the pertinent facts. I have also made a recommendation as to what appears to me to be the possible solution, knowing full well that the conditions attached may make it impossible.

¹⁹ Not printed.

²⁰ For documentation on this Conference, see pp. 172 ff.

²¹ Addressed to the Chief, Division of North and West Coast Affairs (Wright) and to Mr. John C. McClintock, Special Assistant to the Assistant Secretary of State (Rockefeller).

²² Ecuadoran governmental instrumentality.

Present Situation:

1. Official and unofficial criticism of the Corporation has culminated in a situation wherein immediate action would appear to be a "political must".

2. The Ecuadoran Minister of Economy ²⁴ has requested the liquidation of the Corporation provided the line of credit is not stopped.

3. The Minister of Public Works ²⁵ has asked to have the contract with Ambursen Engineering ²⁶ cancelled and to have work on the road suspended. Action by the Corporation on this official request is presumably held up due to the lack of a quorum in the Corporation directorate.

4. The Ecuadoran government's position, summarized, seems to point to liquidation without cancellation of credits and without jeopardizing the completion of the Quevedo-Manta Highway.

Background:

1. No adequate program for the Corporation was agreed upon before the credit was extended, nor has it been possible to agree upon a definite program since that time.

2. The blame falls, more or less equally, on the United States and Ecuador; the latter promoted a variety of projects of questionable merit which were politically or personally expedient; and the former, lacking a definite program and adequate personnel equal to the required job of leadership, allowed its program to grow up like "Topsy".

3. A firm stand was belatedly taken to get out of the procurement of strategic materials such as rubber, quinine and balsa and to limit the Corporation's program to the Quevedo-Manta Highway and the rehabilitation of the Pichilingue venture.²⁷

4. The activities of the Corporation are practically at a standstill with the exception of the work being carried on in connection with the highway.

Recommendation:

1. That the Ecuadoran Development Corporation be liquidated and all assets, with the exception of the remaining credit for the Quevedo-Manta Highway, be turned over to the Ecuadoran government. Some satisfactory arrangement will have to be made with the Ecuadoran government to continue the work on the Quevedo-Manta Highway, preferably without changing the present contract. It would appear that discussions among the three principals, State Department, Export-Import Bank, and Ecuadoran government will be necessary before this can be settled. The Export-Import Bank feels that the

²⁴ Luis Eduardo Laso.

²⁵ Jorge Montero Vela.

²⁶ The Ambursen Engineering Corporation held the contract to build the Quevedo-Manta highway.

²⁷ The development of large cacao and coffee plantations.

Ecuadoran Minister of Economy (Mr. Eduardo Laso) should come to Washington for these discussions. However, Mr. Warren²⁸ is definitely against Mr. Laso's coming to Washington at this time.²⁹

822.50/3-2345

*Memorandum by Mr. John C. McClintock, Special Assistant to the Assistant Secretary of State (Rockefeller)*³⁰

[WASHINGTON,] March 29, 1945.

I have noted Mr. Atwood's memorandum of March 23 on the Ecuadoran Development Corporation.

I have discussed this with Mr. Rockefeller who agrees that it is desirable to work out the objectives of both the Ecuadoran and Bolivian Development Corporations in a constructive manner in such a way as to avoid the definite disadvantages which are inherent in the present development corporation set-up as far as United States responsibility is concerned.

Mr. Rockefeller, however, does not wish to see liquidation of these corporations until a constructive proposal has been agreed to involving the sound use of the Export-Import Bank's credits and designed to achieve the principal objectives for which these credits were established.

JOHN C. MCCLINTOCK

822.50/4-745

*Memorandum by Mr. Henry Dearborn of the Division of North and West Coast Affairs*³¹

[WASHINGTON,] April 30, 1945.

REFUTATION OF ECUADORAN VIEW THAT ECUADORAN DEVELOPMENT CORPORATION SHOULD BE REIMBURSED FOR ITS RUBBER AND CINCHONA EXPENDITURES

It will be recalled that officials of the Ecuadoran Government have on various occasions expressed the opinion that the Ecuadoran Development Corporation should be reimbursed for that part of its funds expended on the rubber and cinchona programs. They argue

²⁸ Ayra M. Warren, Director, Office of American Republic Affairs.

²⁹ After the concluding sentence the following appears in handwriting: "and so am I. J. H. W[right]."

³⁰ Addressed to Mr. Henry Dearborn of the Division of North and West Coast Affairs; Mr. Louis Joseph Halle, Country Specialist; Mr. Vernon E. Bundy, Chief, Division of Commercial Policy, and to Mr. Wright.

³¹ Addressed to the Chief of the Division of North and West Coast Affairs (Wright) and to Mr. Dana G. Munro, Special Adviser to the Director, Office of American Republic Affairs.

that the Development Corporation was set up to further the economic progress of the country, that the rubber and cinchona programs were carried on as war necessities and not primarily for the benefit of Ecuador, that excessive expenditures were made on these programs, and that Ecuador should not therefore be obliged to repay the Exim Bank that part of the Development Corporation loan which was channeled to rubber and cinchona production and extraction.

In a letter to Minister of Economy Laso dated March 29, 1945, Mr. Applegate, General Manager of the Ecuadoran Development Corporation, effectively demonstrated that in its rubber and cinchona work the Corporation was acting as the agent of the Rubber Development Corporation and of the Defense Supplies Corporation, respectively. He pointed out that the Rubber Reserve Company (later the Rubber Development Corporation) reimbursed the Ecuadoran Development Corporation for its expenditures on behalf of the rubber program and that with the completion of the liquidation now being negotiated in respect to the cinchona program the Defense Supplies Corporation would have paid the Ecuadoran Development Corporation for the latter's cinchona expenditures.

Mr. Applegate concludes that there is nothing in the records upon which to base a new claim by the Ecuadoran Development Corporation against the RDC or the DSC.

H. DEARBORN

822.50/4-1945

Memorandum by Mr. Henry Dearborn of the Division of North and West Coast Affairs ³²

[WASHINGTON,] May 8, 1945.

THE ECUADORAN DEVELOPMENT CORPORATION AND THE DEFENSE
SUPPLIES CORPORATION

The Ecuadoran Development Corporation has been the agent of the Defense Supplies Corporation in the latter's cinchona program in Ecuador. The final settlement of accounts between the EDC and DSC, which has been pending for several weeks, appears to have been postponed indefinitely. Several weeks ago an agreement was almost reached, but recent developments prevented its final acceptance.

1. Minister of Economy Laso explained to our Commercial Attaché in Quito ³³ that he had no power to approve or disapprove DSC's proposals and that they would have to be referred to the Board of Directors of the EDC.

³² Addressed to Mr. Wright, Mr. Munro, and to Mr. George H. Butler, Chief, Division of River Plate Affairs.

³³ Howard H. Tewksbury.

2. There have been so many resignations from the Board of Directors of the Development Corporation that a quorum cannot be mustered. Minister Laso says "There is no telling whether there will be another meeting of the Board".

822.51/8-2345

Memorandum by Mr. E. E. Chase, an Examiner of the Export-Import Bank ³⁴

[WASHINGTON,] August 21, 1945.

Ambassador Plaza,³⁵ on August 17, called at the Bank to pick up a proposed revision of the Corporation's charter and bylaws and a memorandum of proposed procedure which he wished to have to facilitate his discussions with his Government pertaining to the reorganization of the Corporation from an operating entity into the purely planning agency desired by the Ecuadoran Government. He also was given a draft amendatory agreement which would be approved at the time of reorganization and which would bring the terms of the agreement with Eximbank into conformity with the charter and bylaws when revised. He conferred with Mr. Machold, Mr. Arey³⁶ and the undersigned.

He was informed by Mr. Arey that legal advice in Ecuador should be sought to insure that the documents and steps taken in connection with the reorganization were in conformity with Ecuadoran law.

The Ambassador's attention was called to the following points and each was discussed briefly:

1. A minimum of changes were made in the charter and bylaws, especially in the objects and powers, it being understood that the Corporation would limit its functions to those desired by the Government without reducing the powers in the existing charter and bylaws.

2. If it is not a requirement of Ecuadoran law that stockholders must receive thirty days prior written notice before holding a meeting the requisite action by the stockholders may then be taken without delay after waiver of notice by stockholders.

3. The Ambursen contract was not disturbed in the proposed revision because the construction work was proceeding smoothly and it appeared desirable to allow it to proceed toward its orderly conclusion under existing arrangements.

4. The stock of the Corporation held by Eximbank would be relinquished following the reorganization and execution of the Amendatory Agreement.

³⁴ Copy transmitted to the Department in a letter of August 23, 1945, from Mr. William F. Machold, Assistant to the President, Export-Import Bank.

³⁵ Galo Plaza, Ecuadoran Ambassador.

³⁶ Hawthorne Arey, Official of the Export-Import Bank.

5. In response to the Ambassador's question regarding the suggestion in the outline of proposed procedure that funds be appropriated by the Ecuadoran Government to service the Corporation's indebtedness to Eximbank it was explained to him that after it was reorganized as a planning agency without assets or income and with the Government jointly liable without benefit of the thirty-day waiting period following default by the Corporation, the Government would be directly and immediately responsible for the payment of principal and interest.

6. The Ambassador made the observation that the Agricultural Experiment Station was favorably regarded and expressed the hope that its work would continue under the supervision of the appropriate department of the Government.

The Ambassador was pleased to have the outline of procedure and the documents revising the Corporation's set-up because it gave him, he said, something concrete to lay before his Government and would avoid needless discussion in the Corporation's reorganization meetings.

He said he had not initialed the *Aide-Mémoire* pertaining to the reorganization although he was authorized to do so, nor had he sent it to Ecuador, stating that it was more satisfactory to deliver it personally and more pleasing to the President if he (the President) initialed it.³⁷

E. E. CHASE

822.51/10-2645 : Telegram

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

QUITO, October 26, 1945—8 p. m.

[Received October 26—4:15 p. m.]

766. For Export-Import Bank from Applegate. Due to delays and lack of interest in certain government departments regarding plans for reorganization, approval of reforms of statutes and payment to corporation of 5 percent commission, interest and installment due on investment in Quevedo-Manta project, Mr. Shaw, Chargé d'Affaires Embassy arranged appointment for me with Minister Trujillo³⁸ with whom I discussed the whole situation and he informed the President³⁹ of the situation with the result of immediate action by

³⁷ *Aide-Mémoire* not printed. Signed on September 1, it provided for the reorganization of the Ecuadoran Development Corporation, for employment of an American engineering firm as consultant, and for a loan, up to a million dollars, for a survey of economic planning projects. Funds that might become available from the United States for the use of the Galápagos Islands were to be earmarked for payment of amortization and interest.

³⁸ José Vicente Trujillo, Minister of Foreign Affairs.

³⁹ José María Velasco Ibarra.

Minister of Economy. In session yesterday afternoon and this morning with Minister Economy [and] representative of Foreign Office reforms of statutes were approved and tentative plans for reorganization made by which Govt agreed to reimburse corporation for assets to be transferred, also to study means to furnish funds for Quevedo-Manta continued construction. . . . [Applegate.]

SHAW

822.154/11-2145

*Memorandum by the Ambassador to Ecuador (Scotten), Temporarily in Washington*⁴⁰

[WASHINGTON,] November 21, 1945.

A question which is causing me considerable concern is the exhaustion of the funds for the completion of the Quevedo-Manta Highway in Ecuador. Without going into detail, the fact is that the Development Corporation set aside \$2,500,000 to construct this highway. The Ecuadorian Government itself appropriated approximately \$200,000 for this work. These appropriations were based upon estimates made by the Ambursen Engineering Corporation, which estimates have proven to be entirely too low.

The net result is that the road is only approximately fifty percent completed and no funds are available for its completion. I understand that the Ecuadorian [Government] has recently requested an extension of credit from the bank for this purpose, but have been turned down on the basis that the bank has filled its commitment and it is up to the Ecuadorian government to use its own funds to complete the road, if it so desires.

Technically, the bank is, of course, correct and is under no obligation to extend the line of credit. However, the fact remains that the estimate was made by a supposedly reliable American firm and I feel that unless the Department is able to persuade the bank to extend the line of credit to permit completion of the road, this project will give us a black eye from which it will be very difficult to recover.

I consider many of the requests of the Ecuadorian [Government] to be unsound and unwarranted, but I really do believe that in our own interests we should accede to this one request.

R. M. SCOTTEN

⁴⁰ Addressed to the Director, Office of American Republic Affairs (Briggs), and to the Chief, Division of North and West Coast Affairs (Flack).

822.154/11-2345

*Memorandum of Conversation, by Mr. Henry Dearborn, of the
Division of North and West Coast Affairs*

[WASHINGTON,] November 23, 1945.

Participants: Mr. Wayne Taylor, President Exim Bank
Mr. Machold, " "
Ambassador Scotten, American Ambassador—Ecuador
Mr. Stenger, ED ⁴¹
Mr. Dearborn, NWC

Ambassador Scotten called on Mr. Wayne Taylor this morning to discuss the construction of the Manta-Quevedo road in Ecuador. He left a memorandum with Mr. Taylor to the effect that the bank should be urged to extend credit to Ecuador sufficient for the completion of this road in view of the "black eye" which would be given to American enterprise, in general, in Ecuador if this particular project were not finished.

Mr. Taylor said that he had just received a letter dated November 21 from Ambassador Galo Plaza in which the Ambassador asked for an additional credit of \$780,000 to complete the Guamote-Tambo road (a link in the Pan American Highway). Mr. Taylor said he would rather extend credit for work on the Pan American Highway than for the Manta-Quevedo road. Ambassador Plaza then said that his Government would see to the completion of the latter if the bank would make the necessary funds available for the former. The bank is already committed to a credit of \$1,200,000 with regard to the Guamote-Tambo Highway but the Jones Construction Company has said that it will need \$780,000 more to finish the project.

Ambassador Scotten remarked that since under Ambassador Plaza's proposal the Manta-Quevedo road would be finished, he would not press the point made in his memorandum. Mr. Taylor thought that it would be a good idea to make the extension of credit of \$780,000 dependent upon a promise from the Ecuadorans to finish the Manta-Quevedo road.

822.51/12-545 : Telegram

The Ambassador in Ecuador (Scotten) to the Secretary of State

QUITO, December 5, 1945—7 p. m.

[Received 10 : 19 p. m.]

849. For ExImBank from Applegate. Despite continued promises Ecuadoran Govt has not furnished funds for continuance work Quevedo-Manta Highway. Five percent commission paid to corpo-

⁴¹ Jerome J. Stenger, Division of Foreign Economic Development.

ration by Govt being now used for work being done. These funds now exhausted and contractor cannot be guaranteed funds by corporation to continue work unless Govt deposits funds. These, corporation has repeatedly requested since middle of October. Work will stop on highway at end of this week unless immediate action taken. I am in Manta in conference with Ambursen's manager. He states he cannot continue work unless the corporation can guarantee him necessary funds for purchase of necessary supplies and payrolls. Suggest you advise Galo Plaza of situation so he can communicate your desires to his Govt. I can do nothing further to prevent work stoppage. Progress of work on highway very satisfactory and a suspension now would cost \$100,000 in discharge pay and also be considered fatal to the eventual completion of the highway. [Applegate.]

SCOTTEN

811.24522/12-645

Memorandum of Conversation, by Mr. Henry Dearborn of the Division of North and West Coast Affairs

[WASHINGTON,] December 6, 1945.

Participants:	Mr. Wayne Taylor	Mr. Stenger
	Mr. Braden ⁴²	Mr. Flack
	Mr. Wright	Mr. Schnee ⁴⁴
	Mr. Briggs	Mr. Dearborn
	Mr. Hooker ⁴³	

A meeting was held in Mr. Braden's office this morning for the purpose of informing Mr. Taylor that the Department wished to separate the matter of the Eximbank loan to Ecuador contemplated in the *aide-mémoire* of September 1, 1945 ⁴⁵ from the Galápagos base question. The Department wished to get Mr. Taylor's reaction.

Mr. Wright explained that the Ecuadorans were officially informed last year that discussions on the loan could not be carried further until some arrangement was made regarding a Galápagos base and that the Department now wished to separate the two issues so that the Ecuadorans could deal with the Eximbank without reference to the base. He said, and Mr. Braden agreed, that it had been a mistake to link the two questions in the first place because, while no commitment had ever been made to Ecuador as to the amount we would pay for a base, we had encouraged the Ecuadorans to think of the loan and the base together. Mr. Wright then referred to Mr. Braden's conversation with Ambassador Plaza of November 27, 1945 during which Mr.

⁴² Spruille Braden, Assistant Secretary of State.

⁴³ John S. Hooker, Assistant Chief, Division of Financial and Monetary Affairs.

⁴⁴ Alexander Schnee, Division of North and West Coast Affairs.

⁴⁵ See footnote 37, p. 1056.

Braden and the Ambassador agreed that it would be desirable to separate the loan and base question.⁴⁶

Mr. Taylor indicated that there would be no objection on the part of the Bank to the separation of the two matters. He went on to explain the Bank's present policy toward Ecuador. He said Ambassador Plaza had recently asked the Bank to add a credit of approximately \$750,000 to the credit of \$1,200,000 already allowed for the construction of the Tambo-Guamote road; the \$1,200,000 would not be enough to cover the project, as President Arroyo⁴⁷ had been informed when he named the sum. Mr. Taylor said that the Bank was inclined to allow this extension of credit rather than to loan further funds for the completion of the Manta-Quevedo road which had been a headache. The Ecuadorans could then finish the Manta-Quevedo highway with their own resources, as they are committed to do. Mr. Taylor stated that the policy of the bank after arranging the \$750,000 loan would be to lie low and to await developments from the \$1,000,000 survey to be conducted in Ecuador under the September 1, 1945 *aide-mémoire*. The bank would be willing, he said, further to assist Ecuador by combining the \$5,000,000 Development Corporation loan with the \$1,000,000 survey loan and by extending the maturity dates somewhat. Mr. Schnee asked whether the loan was for engineering projects only or for general development and Mr. Taylor replied that the purpose was general. Mr. Schnee then inquired whether Ecuador would be informed that the Bank was ready to consider extending credit for projects in Ecuador which appeared to promise sufficient return on the investment to pay off the loan. Mr. Taylor replied, "no" and that, on the contrary, the Bank was not interested in self-liquidating projects and was not disposed to consider further loans to Ecuador at this time.

The Ecuadoran Development Corporation was discussed and it was generally agreed that the organization had been a headache from the beginning and that it had not adequately served its purpose of helping Ecuador to develop economically. Mr. Taylor remarked that progress was being made in the reorganization of the Corporation into a solely Ecuadoran planning agency and that this agency would administer the \$1,000,000 survey loan.

The Guayaquil waterworks commitment of \$4,000,000 was then discussed and all agreed that it was a worthwhile project. Mr. Wright urged that this be gotten under way as soon as possible.

Mr. Braden summed up the situation on loans by stating that we were willing to help the Ecuadorans financially but that Ecuador

⁴⁶ See memorandum of conversation, November 27, p. 1029.

⁴⁷ Carlos Alberto Arroyo del Río. He was succeeded in the Presidency by José María Velasco Ibarra in June 1944.

would have to recognize that this was not a one way proposition and would have to be responsible for keeping up its end of the arrangement. He said that if we went ahead on a friendly and self-respecting basis Ecuador would be obliged to recognize the justice of our actions.

Mr. Braden then asked if we had heard from the War and Navy Departments in reply to our question as to how much they would be willing to pay for the use of a Galápagos base.⁴⁸ Mr. Briggs replied that the SWNCC⁴⁹ sub-committee for Latin America had considered the question and had recommended that we ask Ecuador for joint use of the Galápagos base and that we offer maintenance as the maximum compensation. The sub-committee anticipated that if the Ecuadorans refused to consider this we could go back with another proposition. Mr. Braden recalled that Ambassador Plaza had said that if the compensation were to be "chicken feed" it would be better not to tell him about it. It was agreed that in view of the incendiary political nature of the Galápagos question we should await the adjournment of the Ecuadoran National Assembly before informing the Ecuadoran Ambassador of this recent turn of events. (The latest reports indicated that Foreign Minister Trujillo expects the Assembly to adjourn within eight or ten days).

⁴⁸ For documentation on the compensation for the Galápagos base, see pp. 1007 ff.

⁴⁹ State-War-Navy Coordinating Committees.

EL SALVADOR

DISCUSSIONS REGARDING MILITARY AND NAVAL COOPERATION BETWEEN THE UNITED STATES AND EL SALVADOR

810.20 Defense/3-2745

The Ambassador in El Salvador (Simmons) to the Secretary of State

[Extract]

No. 91

SAN SALVADOR, March 27, 1945.

[Received April 3.]

SIR: . . .

I would be grateful if the Department would give me more definite instructions as to the proposed bilateral staff conversations. I have of course studied carefully the Department's instruction of January 16, 1945,¹ entitled "Proposed Bilateral Staff Conversations", together with its enclosure concerning the procedure in the conduct of such conversations.

In this connection, I would call to the Department's particular attention my despatch no. 2407 of February 7, 1945,² entitled "Military Mission in El Salvador", in which there were set forth a number of particular considerations in regard to the military situation in El Salvador, which may also be applicable to the situation of certain other countries. I refer also to confidential despatch no. 194, of March 24, 1945, from the American Embassy in San José,³ discussing this question. I believe that a number of the observations made by Ambassador Johnson in this despatch are pertinent and would also apply to the situation in this country. It is my feeling that we should give very serious thought before we encourage the military authorities in this country in the belief that we wish to build up their military establishment to a point beyond what many people here may consider to be the normal minimum requirements. I believe that we should always consider the possibility that any military material and equipment which we may later ship to this country, on the basis of plans formulated in the forthcoming conversations might be used for political purposes and as a means of maintaining a given government in power, rather than for the basic purpose in which we are interested,

¹ See instruction dated January 10 and footnote 1, p. 600.

² Not printed.

³ Not printed.

that is, the strengthening of our hemispheric defense by means of the improvement in equipment and training of the various local military establishments in these countries.

Particularly with these considerations in mind I have thus far refrained from showing to the Minister of National Defense⁴ the agenda prepared by the Headquarters of the Caribbean Defense Command and enclosed by General Brett in his letter of March 3.⁵ If the Department wishes that these documents be discussed in advance with selected military officials of El Salvador, I shall be glad to carry out these wishes, but I believe that it would be helpful in any case to have from the Department a more definite indication of its general policy in regard to the aims and purposes of the staff conversations which are to occur.

Respectfully yours,

JOHN F. SIMMONS

810.20 Defense/3-2745

*The Secretary of State to the Ambassador in El Salvador (Simmons)*⁶

No. 33

WASHINGTON, April 16, 1945.

SIR: Reference is made to your secret despatch No. 91 of March 27, 1945, regarding bilateral staff conversations.

With regard to your request for further information concerning the staff conversations, your attention is called to the Department's secret circular instruction of March 16,⁷ with which was enclosed a copy of the Basic Instruction for Staff Conversations agreed to by the State, War, and Navy Departments. These instructions formed the basis for the agenda prepared by General Brett, to which reference is made in your despatch.

The question of holding bilateral staff conversations with other American republics has been under discussion for about one year. In view of the improved military situation and the virtual removal of any further threat of attack on the American continent it became obvious that our military and naval relations with the American republics should be formulated on the basis of long range policy rather than the immediate military situation in the present war (aside from those countries which are participating in military or naval operations⁸). For this purpose considerable information was needed re-

⁴ Gen. Mauro Espinola Castro.

⁵ Not printed. Lt. Gen. George H. Brett was Commanding General, Caribbean Defense Command.

⁶ Copies of this instruction were enclosed, on the same date, in instruction No. 29 to Costa Rica, No. 909 to Guatemala, No. 1938 to Honduras, and No. 1548 to Nicaragua (none printed), to answer questions raised by these missions similar to those presented by Ambassador Simmons.

⁷ Not printed.

⁸ For documentation concerning the combat participation of Brazil and Mexico, see pp. 600 ff., and pp. 1109 ff., respectively.

garding the views of the other American republics. It was, therefore, agreed to hold bilateral military and naval conversations in order to obtain information from the other republics and solicit their views concerning general plans for standardizing their training and equipment along lines of the United States armed forces. The long range objective this Government has in mind is the establishment of a satisfactory working relationship with Salvadoran armed forces for the purpose of facilitating hemisphere defense as now provided for in the Act of Chapultepec.⁹

The Department desires to emphasize that the staff conversations which are being held with other American republics are purely preliminary and exploratory in character. They are confined to technical military and naval subjects. One of the fundamental purposes of the conversations is to allow the participating United States officers to ascertain the views of the representatives of the other American republics regarding the size and composition of the armed forces which they plan for the post-war period. No commitments will be made in the course of the conversations to supply any arms and equipment which may be desired by those countries, and the information obtained as a result of the conversations will be correlated and studied in Washington before any further equipment of consequence is made available. The State, War, and Navy Departments hope that information obtained will help guide the formulation of this Government's policy regarding military relations with the other American republics in the post-war period.

It is a further objective of the staff conversations to secure agreement on the part of the armed forces of the other American republics to standardize their equipment on United States tables and to train their personnel according to United States standards.

El Salvador is included in the program of staff conversations in order that that country may be treated on a basis of equality with the larger American republics. In addition, as mentioned above, it is desirable for the United States to know the post-war military plans of El Salvador, to obtain its agreement on standardization, to influence Salvadoran military development through the medium of standardization and the Military Mission, and to integrate the Salvadoran armed forces into a multilateral system of hemisphere defense.

In these circumstances the Department does not believe that the agenda prepared by General Brett is detrimental to United States

⁹ Agreement between the United States and other American Republics respecting reciprocal assistance and American solidarity, contained in the Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City, March 8, 1945. For documentation concerning this agreement and Conference, see pp. 1 ff. For text of agreement, see Department of State Treaty Series No. 1543, or 60 Stat. (pt. 2) 1831.

interest. The agenda was prepared with the general considerations outlined above in mind and in light of the fact that staff conversations have been arranged or held with all the American republics except Argentina. All these republics, except Costa Rica, where a shortened agenda was submitted, have received, or will receive, printed agenda similar to that prepared for El Salvador. The Ambassador may, however, find it advisable to emphasize to the Salvadoran representatives on all suitable occasions the preliminary and exploratory nature of the conversations as well as the fact that they will involve no commitments on the part of either participating Government. Emphasis should be placed upon the technical aspects of hemisphere defense as the objective, and it is of course important to avoid any indication of a desire to increase Salvadoran armed forces as such.

With these precautions the Department believes that the staff conversations with El Salvador may be conducted without adverse political effects and will result in the attainment of the objectives which are being sought. It will no doubt be desirable for you to clarify these matters with the Army and Navy representatives before the conversations open, as well as give them any special guidance you believe desirable concerning the political aspects of the situation in El Salvador.

Very truly yours,

For the Secretary of State:

A. M. WARREN

[There is additional documentation on measures of military cooperation between El Salvador and the United States in files 810.20 Defense and 816.20 Missions.]

RECOGNITION BY THE UNITED STATES AND OTHER AMERICAN REPUBLICS OF THE GOVERNMENT OF OSMÍN AGUIRRE Y SALINAS¹⁰

816.01/1-2245 : Circular telegram

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

WASHINGTON, January 22, 1945—11 p. m.

ReDeptel Circular December 5, midnight,¹¹ and previous. Consultations with regard to the possibility of extending recognition to the incumbent régime in El Salvador¹² have been proceeding for 3 months without there having been any charges of Axis involvement in its accession to power. It consequently appears to this Government that

¹⁰ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 1087 ff.

¹¹ *Ibid.*, p. 1111.

¹² The government of Provisional President Osmín Aguirre y Salinas.

there is no need for further consultations under Resolution 22 of the Committee for Political Defense.¹³

The consultations have not heretofore demonstrated any consensus in favor of such recognition, but the opinion has been expressed that the Aguirre régime did not enjoy popular support and that there was active opposition both within and without the Republic. The fact that El Salvador has recently held elections¹⁴ which were not accompanied by violence would appear to establish that the Aguirre Government does in fact exercise control of the country and that the opposition if existent is not active. Furthermore, the Government of El Salvador has declared its intention to fulfill its international commitments.

You are requested to bring the foregoing to the attention of the Foreign Minister of the Government to which you are accredited and to ask whether he is in agreement. If he does agree, please also inform him that your Government feels that, in accordance with the traditional principles which have guided the American Republics, recognition should be extended to the Government of El Salvador at an early date, and that it would like to be informed of the views of the Government to which you are accredited before reaching its own final decision. You should add that if the other American Republics agree to extend recognition in the near future, the United States will inform him well in advance of the date upon which it plans to take formal action, in order that his Government, should it so desire, may take the step simultaneously.

You should add that if the Governments of the American Republics are to recognize the Government of El Salvador in the near future, it would seem desirable to do so in time for that Government to be represented at the Meeting of Foreign Ministers¹⁵ of the Republics which have collaborated in the war effort (as El Salvador has done), and that the question is therefore one of some urgency, if the consultative procedure is to be completed in time to permit the Government of Mexico to extend an invitation to El Salvador sufficiently in advance to permit the latter to arrange to be properly represented.

Repeated to Managua, Tegucigalpa, Buenos Aires and San Salvador for information only.¹⁶

STETTINIUS

¹³ For text of Resolution 22, see telegram from the Chairman of the Committee, December 24, 1943, *Foreign Relations*, 1943, vol. v, p. 34; also printed in Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 79.

¹⁴ January 14–16, 1945.

¹⁵ The Inter-American Conference on Problems of War and Peace, held at Mexico City, February 21–March 8, 1945 (the Chapultepec Conference); for documentation concerning this Conference, see pp. 1 ff.

¹⁶ Nicaragua and Honduras had already recognized the Aguirre regime on October 24, 1944.

816.01/2-845

Memorandum of Telephone Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] February 8, 1945.

Under Mr. Warren's¹⁷ instructions, I telephoned Ambassador Messersmith to state that Mr. Rockefeller had had a further talk with the Guatemalans. Guatemala is not prepared to recognize El Salvador before March 1. However, they will send a delegation to Mexico City, even though recognition be extended to El Salvador by other countries, although it would be easier to make this concession—and they might even extend immediate recognition—if the Salvadoran delegates were named by the new President, Castañeda Castro. We therefore feel we should go ahead with our recognition plan because of our commitment to 14 countries¹⁸ on the principle of recognition and consultation and because Salvador is one of the United Nations and has cooperated in the war effort.

The Ambassador said that he had just talked with Padilla, who said that he could not take the risk of not having Guatemala at the meeting; he thought he had considerable responsibility in connection with the meeting, and the Guatemalan Ambassador had yesterday informed him not only that Guatemala was not prepared to recognize El Salvador at this time, but also that it would not send a delegation to Mexico City if El Salvador were represented. Padilla seemed to feel that there was a possibility that Costa Rica might similarly refuse to attend, and that if we recognized El Salvador there was a risk of Guatemala's staying away and the possibility that Costa Rica might abstain. Padilla had stated that he was prepared to go along on the recognition of El Salvador provided that we would give him absolute assurances that Guatemala and Costa Rica would be at the meeting. Otherwise, he could not recognize and invite El Salvador and run the risk of losing Guatemala and Costa Rica. I pointed out that as far as we were concerned, we could see no connection between a conference of nations which had collaborated in the war effort and the question of recognition of El Salvador, but Ambassador Messersmith pointed out that this was not Padilla's attitude. Ambassador Messersmith further said that he had yesterday had his regular conference with the representatives of American newspapers, 16 men, and that they had asked several questions which he had not answered. However, it had been apparent that none of them had the slightest intimation that El Salvador would be recognized before March 1. He felt that this might be taken into consideration.

¹⁷ Avra M. Warren, Director of the Office of American Republic Affairs.

¹⁸ The Department had received 14 affirmative replies from the 16 American republics consulted.

Ambassador Messersmith's exposition of Padilla's attitude was conveyed to Mr. Warren, and after discussion with Mr. Rockefeller, Ambassador Messersmith was informed that we would undertake to deliver both Costa Rica and Guatemala to the conference, and that we would go ahead with our plans for recognizing El Salvador on February 15. He was asked so to inform Padilla.

W[ILLIAM] P. C[OCHRAN]

816.01/1-2745 : Telegram

*The Acting Secretary of State to the Ambassador in Guatemala
(Long)*

WASHINGTON, February 8, 1945—8 p. m.

72. Reurtel no. 58, January 27, 6 p. m.¹⁹ It appears probable that most of the Governments of the hemisphere will extend recognition to El Salvador within a few days. In this connection you should emphasize to the Foreign Minister your Government's earnest hope that Guatemala will be represented at the Meeting in Mexico City and will play the important role in the deliberations on problems of the war and post-war period, to which Guatemala is entitled by her traditions and by the constructive part she has always played in inter-American relations. You may wish to add that your Government understands that in the probable event that Mexico should join in this action and should extend an invitation to El Salvador to attend the Conference, the Salvadoran delegate will represent President-elect Castañeda Castro.

Please convey the above message to the Foreign Minister at the earliest possible opportunity and report.

GREW

816.01/2-945 : Telegram

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

SAN SALVADOR, February 9, 1945—10 a. m.

[Received 6:14 p. m.]

47. From Simmons.²⁰

1. Castañeda sent me last evening a verbal message through his future son-in-law urging that we not extend recognition before March first and indicating his belief that he himself would not be permitted to assume office if we should do so.

¹⁹ Not printed.

²⁰ John F. Simmons, Appointed Ambassador, awaiting United States recognition of El Salvador.

2. Castañeda had already informed a member of my staff yesterday that he is making every effort, against considerable pressure, to keep Aguirre out of his future Cabinet.

3. The above are two additional indications of the serious and growing rift between the President and the President-elect. [Simmons.]

GADE

816.01/2-1045: Telegram

The Ambassador in Guatemala (Long) to the Secretary of State

GUATEMALA, February 10, 1945—8 p. m.

[Received February 11—1:26 a. m.]

95. Although I used all the arguments in Department's telegram 72 of February 8 and in memo of conversation of January 31²¹ between the Guatemalan Ambassador in Washington²² and Warren and Cochran, the Guatemalan Foreign Minister has now addressed me a note of which the pertinent part states:

"In the event the present regime of El Salvador is recognized or invited to the Inter-American conference concerning problems of war and peace, the Government of Guatemala will cancel immediately the travel of its delegation or will order its return in the event it has already left."²³

General Dunham who is departing for Washington tonight was with me when I discussed this matter for the second time with the Foreign Minister a few hours before he sent the note and at that time the Foreign Minister seemed conciliatory and thought Guatemala might take part if the Salvadoran delegate were only an observer without voice or vote until Castañeda took office. He said he was just going to see Toriello about the matter.

LONG

816.01/2-1545: Circular telegram

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

WASHINGTON, February 15, 1945—5 p. m.

ReDepcirtel January 22, 11 p. m. Department has now received replies regarding recognition of El Salvador from all countries consulted. The consultations have not developed any charges of Axis

²¹ Memorandum of conversation not printed.

²² Eugenio Silva Peña.

²³ The Department was later informed by Ambassador Long, in telegram 108, February 14, 6 p. m., that a Guatemalan delegation would attend the Conference if the members of the Salvadoran delegation attended as observers only and represented President-Elect Castañeda (710.Conference W and PW/2-1445).

influence in the accession to power of the Aguirre régime, within the meaning of Resolution XXII of the Advisory Committee for Political Defense at Montevideo. Fourteen of the sixteen replies are favorable to early recognition of El Salvador on the grounds that the government is (a) in *de facto* control of the machinery of government and of the country, (b) enjoys general support without active opposition and (c) has declared its intention and is able to fulfill its international obligations. Guatemala will not recognize the Aguirre régime and Costa Rica will withhold action until after the inauguration of the new Salvadoran President on March first. Bolivia will recognize but will not act simultaneously. Mexico has agreed to early action. Please inform Foreign Minister of Government to which you are accredited of the above; and say that there consequently seems to be a general agreement in favor of recognition. You should add that you are under instructions to inform him that your Government therefore intends to resume relations on Monday, February 19, and is so informing him, in case he should wish to take simultaneous action. Please express your Government's appreciation of his cooperation in making known to you the attitude of his Government on this subject and state that the almost complete unity of opinion elicited by the consultation is a further demonstration of the efficacy of the consultative procedure.

Repeated to Argentina, El Salvador, Honduras and Nicaragua for information only.²⁴

GREW

816.01/2-1745 : Telegram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

SAN JOSÉ, February 17, 1945—5 p. m.

[Received 9:14 p. m.]

102. I informed Acting Minister for Foreign Affairs yesterday of the information contained in the Department's circular telegram February 15, 5 p. m. and was informed by him that he must consult the President of the Republic in the premises.

The Minister handed me a confidential memorandum this morning which can be summed up as follows: The Government of Costa Rica

²⁴ The following message was added to the copy of this circular when sent to Bolivia: "Reurtel 99 of January 24, 4 p. m. Please add that Department feels that the reaction throughout the hemisphere might be unfavorable, should Bolivia extend recognition before any of the other American Republics, as contemplated in point 3 of your telegram under reference, and suggest that Bolivia adopt its own alternative suggestion and wait until a few days later before taking action, if it does not wish to do so simultaneously." Telegram 99 from Bolivia, not printed.

In telegram 37, February 15, 1945, 8 p. m., the Chargé in El Salvador was authorized to extend recognition on February 19 (816.01/2-1545).

must take into consideration the unanimous pronouncement of Congress and of Costa Rican public opinion which are adverse to the recognition of the Government presided over by Aguirre.

The Government will however recognize General Castañeda immediately after his inauguration and intends to maintain cordial relations with him.

In order however to facilitate the greatest agreement and cohesion in the conference of Mexico no objection whatever will be made to the participation in that conference of delegates of Salvador whether they are named by the present government or whether General Castañeda will preside over the delegation.

Full translation of memorandum is being forwarded by airmail.

JOHNSON

816.01/2-1945 : Telegram

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

MEXICO, February 19, 1945—8 p. m.
[Received February 20—2:22 a. m.]

198. With reference to recent exchange of communications concerning recognition of Aguirre Government of El Salvador, Padilla called me to his house late this afternoon where he is in bed with the grippe and is taking all possible precautions so he may be up and about on Wednesday morning for the first day of the conference.

Padilla said that developments in the El Salvador-Guatemala situation were such that he was under the necessity of informing me that Mexico could not recognize the Aguirre Government as of today as he had indicated it would. He said that he had hoped that the recognition by Mexico of the Aguirre regime would not interfere with the success of the meeting in Mexico City but that his latest conversations indicated that if Mexico recognized the Aguirre regime a very unfavorable atmosphere would be created at the outset of the meeting of American states in Mexico City.

I am not entering into detail in this telegram as I have given the Department recently the reasons which have disturbed Padilla and the Mexican Government in this respect. I am convinced that Padilla's action is based on his sincere conviction, and on the knowledge which he now has, that by recognizing the Aguirre regime he would be creating an atmosphere in Mexico and in the conference which would have very unhappy results so far as the success of the meeting is concerned. I am convinced that he is governed entirely by considerations of the success of the meeting.

I believe that he has already informed the Guatemalans that Mexico will not recognize the Aguirre regime but will recognize the Castañeda regime on March first as I have information of a reliable character that the Guatemalan delegation is arriving tomorrow afternoon.

MESSERSMITH

816.01/2-2645

The Assistant Chief of the Division of Caribbean and Central American Affairs (Cochran) to the Ambassador in El Salvador (Simmons)

WASHINGTON, February 26, 1945.

DEAR JACK: I see that the reaction in El Salvador to our recognition of the Aguirre régime has been as unfavorable as you had anticipated. I feel that it would be wrong to make any public statement to the newspapers on the matter. In the first place, this would appear to be a defense or justification of our attitude, which I do not consider necessary. In the second place, we should have to criticize the Aguirre régime, which would be improper. However, I think that you and all the members of your staff should discuss the matter freely with any Salvadorans who may raise it in order to remove from their minds the numerous misconceptions which have crept into their thinking.

It seems to me that there are one or two very clear principles involved. In the first place, it would seem to me to be inconsistent with international law, with the Good-Neighbor Policy and with our commitments regarding non-intervention²⁵ for us to attempt to use recognition or non-recognition as a weapon of policy. It is not for us to pass judgment upon the sins of omission or commission of the Aguirre régime in their internal aspects.

There are certain well established requirements of international law for recognition: (a) Control of the machinery of Government; (b) General popular support without active opposition; and (c) willingness and ability to observe international obligations. Due to the war, the Committee for Political Defense of Montevideo established a fourth—whereby when a Government came into power through force, the countries of the hemisphere would consult to determine whether its assumption to power demonstrated direct or indirect Axis influence. There was no charge that such had been the case in the October 20 turnover in El Salvador.

Immediately after the October 20 overthrow, the consultations envisaged by Resolution 22 of the Committee for Political Defense were begun. It immediately became apparent that there was no consensus

²⁵ See Additional Protocol relative to non-intervention, between the United States and the other American Republics, signed at Buenos Aires, December 23, 1936, Department of State Treaty Series No. 923, or 51 Stat. 41.

in favor of extending recognition. The feeling seemed to be that the second traditional requirement for recognition had not been fulfilled, in view of the widespread opposition to the Aguirre régime both within and without El Salvador. However, with the failure of the attempted invasion of December 8 from Guatemala,²⁶ and with the holding of elections—however farcical—without violence, to continue to charge that there was active and effective opposition became a matter of opinion rather than one of fact, on which we could hardly sit in judgment, and on which basis we would hardly have been justified in withholding recognition and, had we done so, we would clearly have opened ourselves to a charge of interference in the internal affairs of El Salvador.

Frankly, I think that the withholding of recognition for a period of four months should have amply demonstrated that the Aguirre régime enjoyed little sympathy from the Government of the United States. On the other hand, I hope you can make it clear to your contacts that it is no portion of the responsibility of the Government of the United States to impose democracy upon or to guarantee democracy to the other countries of the hemisphere. To attempt to use recognition as a weapon in either sense would be a clear violation of our non-intervention commitments. If the American Republics at Mexico City want to establish such a requirement for recognition as a part of the hemisphere policy that would be another matter. Frankly, I do not think that they will adopt any such attitude. The minute it were done, it would be an invasion of sovereign rights. If it were done the loser in any election would immediately charge fraud and coercion and it would seem to me that a necessary corollary would be to provide international electoral commissions in all cases. I have no vaguest reason to believe that the United States or any of the sovereign nations of the hemisphere would leave the operation of their electoral processes to the supervision of an international commission.

I hope you can convey to the Salvadorans that we are by no means insensitive to their desires to establish a true democracy and that they can count upon our warmest sympathies. Nevertheless, our non-intervention commitments are binding. We did not say that we would not intervene except in behalf of democracy. We have committed ourselves in international instruments not to intervene *period* and we intend to observe that commitment. You will remember that every intervention into which we have injected ourselves has had its genesis in the most altruistic of motives; but that this motivation has not protected us from the resulting criticism. I also feel that there is

²⁶ Invasion by a force composed largely of Salvadoran exiles in Guatemala.

no such thing as "a little bit of intervention". Once intervention has begun, one cannot back down and I have no idea that we are going to send armed forces to intervene. Consequently I do not wish us to start a current of events which might put us in a position of having to send armed forces to support our position.

I believe that our position as regards the recognition of El Salvador was right. I do not believe that a policy can be responsive to every vagary of public opinion whether in the country concerned or in the United States. We cannot be a weather vane responsive to every cry of "Democracy"—for one thing, the word is used far too easily and sometimes erroneously. Our decision was taken after much self-searching and in the light of international law and hemisphere practice. I believe that in the long run, it will stand up. I also think that it will stand up in the long run far better than any of the possible alternatives would have done. I realize that your position as far as the non-thinking public is concerned is somewhat difficult. I nevertheless hope that you can get it across slowly that, while we are wholly in sympathy with any effort of the Salvadoran people to democratize their Government, we are unable, in view of our non-intervention commitments, to take any positive steps to guarantee that they receive that blessing.

Frankly, I see a good bit of inconsistency in the Guatemalan attitude. I know that early in the game Uruguay expressed itself very forcefully against any attempt to make the observance of democratic practices a condition to recognition.²⁷ Guatemala's campaign to do so, and its refusal to recognize Aguirre, would seem to me inconsistent in that Guatemala does not simultaneously withdraw recognition (as it has done in the case of Spain) from all the other non-democratic governments of the hemisphere. This would make a fine kettle of fish and split the hemisphere wide open, wouldn't it?—Half the nations of the continent refusing to recognize the other half on a holier-than-thou basis, with allegations that "we are purer on the basis of democracy than you are." No, I think that the Guatemalan argument, and that used by Salvadorans who are concerned, to our recognition, if pursued far enough becomes a *reductio ad absurdum* and falls of its own weight. I am sorry that these considerations are not more widely understood and hope, as I say, that you and your staff can clarify the considerations involved to the members of the Salvadoran public with whom you come in contact in such a way as to overcome their present indignation, based in my opinion upon misconceptions as to the bases of recognition in the international field.

Very sincerely yours,

WILLIAM P. COCHRAN, JR.

²⁷ See telegram 1168, December 12, 1944, from Montevideo, *Foreign Relations*, 1944, vol. VII, p. 1112.

INFORMAL ASSISTANCE BY THE DEPARTMENT OF STATE TO REPRESENTATIVES OF THE HOLDERS OF SALVADORAN BONDS UNDER THE LOAN CONTRACT OF JUNE 24, 1922²⁸

816.51/9-2645

The Acting Secretary of State to the Ambassador in El Salvador (Simmons)

No. 143

WASHINGTON, October 5, 1945.

With reference to previous communications concerning the debt arrangement negotiated between the Government of El Salvador and the Foreign Bondholders Protective Council²⁹ but not yet consummated, there is enclosed a memorandum³⁰ of a conversation between Mr. James Grafton Rogers, Acting President of the Council and officers of the Department in which Mr. Rogers requested further action by the Department and the Embassy.

The Department believes that the Embassy would be justified in taking vigorous action to bring about a settlement of the dollar bonds without further delay and without waiting for British action or approval of Salvadoran terms for the sterling bonds. On March 2, 1944 the Ambassador of El Salvador³¹ publicly announced agreement on the bases negotiated with the Council. It would appear that they are within the capacity of El Salvador to execute and are not unfavorable to El Salvador. Resumption of payment would greatly promote the credit and reputation of El Salvador in the United States and failure to proceed with the announced settlement has been having a correspondingly bad effect. The difficulties which have intervened appear to be matters of detail which in so far as concerns holders of dollar bonds could be readily adjusted with good will on the part of El Salvador. The Foreign Bondholders Protective Council stands ready to discuss such details and is anxious to bring the matter to a conclusion without further delay.

You are therefore requested to interest yourself actively in this matter having due regard to the current political situation³² and the choice of an opportune time. Please report action taken or submit your views in case you deem it inappropriate to take immediate action.

For your confidential information, it is understood that Mr. Rogers is in close contact with the British Council³³ representing the sterling bonds³⁴ and that he feels free to move independently of them although

²⁸ Continued from *Foreign Relation*, 1944, vol. VII, pp. 1113-1131.

²⁹ See Memorandum of Understanding, January 13, 1944, *ibid.*, p. 1115.

³⁰ Not printed.

³¹ Héctor David Castro.

³² El Salvador was at this time in the third week of a Cabinet crisis which was resolved on October 8 with the appointment of a new Cabinet.

³³ Council of Foreign Bondholders, London.

³⁴ For information concerning the sterling bonds held by British bondholders, see penultimate paragraph of despatch 1363, March 4, 1944, from San Salvador, *Foreign Relations*, 1944, vol. VII, p. 1119.

he will keep them informed of developments. His judgment is that the British Council will be willing to accept any arrangement that he is able and willing to make.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

816.51/10-1245

*Memorandum of Conversation, by the Adviser of the Office of
Financial and Development Policy (Livesey)*

[WASHINGTON,] October 12, 1945.

Participants: Honorable Hector David Castro, Ambassador of El Salvador; Mr. Cochran, CCA;³⁵ Mr. Corliss, FN;³⁶ Mr. Livesey, OFD

The Ambassador came in at the Department's request.

Mr. Livesey said that there were two financial items, quite independent in their origin, of which it was desired to inform the Ambassador. The Department had already taken action on both. The first was the defaulted bonds situation. He recited the developments since last March including the recent discussion with Mr. Rogers, Acting President of the Foreign Bondholders Protective Council, which had resulted in the Department's instructing the American Embassy at San Salvador on October 5 to give vigorous support to Mr. Rogers' effort to reactivate the bond settlement of 1944. This recital was in considerable detail and may be regarded as bringing the Ambassador fully up to date on this matter.

The second item was the request of the Export-Import Bank that the Department make a recommendation as to assent by the Bank to a credit commitment requested by the International Standard Electric Company for financing the telephone installation in El Salvador.

The Ambassador was told that when the Bank's inquiry came under consideration in the Department, there developed a surprising volume of opinion that the time had come for the Department to reconsider the policy of the Bank in respect of extending credits to governments which were in default on dollar bond issues. The thought was that the time had now come when the Bank should give more attention to the possible effects on American interests of appearing to ignore existing default situations. This matter had been discussed at considerable length in a meeting yesterday and it had been decided that the Department should at least call to the attention of the Salvadoran Ambassador the relationship between these two almost simultaneous

³⁵ William P. Cochran, Jr., Chief of the Division of Caribbean and Central American Affairs.

³⁶ James C. Corliss, Assistant Chief of the Division of Financial Affairs.

questions. It was not desired to do this in circumstances which might make it appear that the Department was using the credit matter as a means of exerting pressure on El Salvador to take some action on the bonds. The Department had therefore cleared the Bank's inquiry before mentioning the matter to the Ambassador. The effect of the clearance was to enable the International Standard Electric Company to negotiate with the Salvadoran authorities with assurance that it could finance its contemplated transaction on credit obligations of El Salvador.

The position was that the Department had issued its instruction of October 5 as a sincere and vigorous expression which it would not wish to have counteracted in any way by its willingness to approve a credit to El Salvador for a purpose which it deemed to be sound and desirable. On the other hand it wished to bring out the fact of the existence of a growing volume of doubt as to the wisdom of the Export-Import Bank granting such credits to countries in unremedied default on their bonds. Reference was made to the recent reorganization of the legal structure of the Export-Import Bank, by the Export-Import Bank Act of July 31, 1945,³⁷ with provision for two members of the Board of Directors to be members of the opposition party, and with the establishment of an obligation for the Board to report semi-annually to Congress and to the recent provision in other legislation whereby the Bank's operations are to be audited annually on commercial lines by a separate agency also reporting to Congress. All these were manifestations of an increased interest of Congress in supervising the Bank. The question of the Bank's relation to bond defaults would inevitably come before the new Board of Directors not long after it takes charge of operations, and this was a matter to which the Department must give consideration.

The Ambassador said that he had lost sight of details of the bond situation over the past few months. He had always believed that El Salvador should make payments on its bonds and he hoped that this might be arranged in the near future. The time of year is not propitious but the Salvadoran Congress will still be in session and he hoped that something could be done before the end of the year. He appreciated what had been said about the question of policy concerning the Bank's relation to default situations and would report the conversation to his government and thought he might do so in a way which would result in his obtaining full information about the present situation as affects the bonds. There has been a recent change in the Minister of Finance³⁸ and he did not know that Mr. Echavarria, the Under

³⁷ 59 Stat. 526.

³⁸ José Esperanza Suay became Minister of Economy (formerly Finance) on October 8. He succeeded Carlos Guirola, whose resignation had been announced on September 14.

Secretary who had been in communication with Mr. Rogers, is still in office.

Mr. Livesey said that the Department's instruction to the Embassy had gone out so recently that the Embassy could hardly have taken action on it. The instruction had given the Embassy discretion as to time and opportunity for taking the matter up. The Department had not intended to take the matter up at this time with the Ambassador of El Salvador had it not been for the coincidence of the Export-Import Bank's inquiry, which made it desirable to acquaint him with the relationship between the two matters so that the one might not tend to defeat the other. The Department would be very glad for his support of its efforts on behalf of promoting negotiations between his Government and Mr. Rogers.

816.51/12-645

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

No. 585

SAN SALVADOR, December 6, 1945.

[Received December 12.]

SIR: Pursuant to Embassy's telegram 332 of December 6, 1945, 4 p. m.,³⁹ I have the honor to report the receipt from the Salvadoran Minister of Economy of a note purporting to constitute the plan of the Salvadoran Government for the settlement of the Salvadoran foreign debt.

The note, a copy of which is enclosed herewith,³⁹ bearing the date of December 6, 1945, is addressed to the American Embassy and recites that, in conformity with the recommendations of the Commission for the Study of the External Debt of 1922, the Executive Power, acting through the Ministry of Economy, will present to the National Legislative Assembly, for its consideration, a bill for the acknowledgement and adjustment of the external debt on the basis of the 1944 Agreement, modified as follows: 1) date of the Agreement to be January 1, 1946 instead of January 1, 1944, which implies the "capitalization of an additional two years of delinquent interest by means of the issuance of bonds", and 2) the bonds to be issued in payment of the coupons which matured from January 1, 1938 to January 1, 1936 [1946], inclusive, shall bear interest at the rate of 2% instead of 3½% per annum. The note states further that in order to effect a conciliation between the points of view of the Council of the Corporation of Foreign Bondholders (the British Council) and the Salvadoran Gov-

³⁹ Not printed.

ernment with respect to a customs lien, the Ministry of Economy will include in the bill to be presented to the Assembly, in substance, the following provision: "If in the future the Republic guarantees the payment of any debt by a lien on customs collections, the new bonds which will be issued in conformity with the readjustment will *ipso facto* have a preferential lien over that of any creditor of the Republic."

This note was actually prepared by the Minister of Economy in response to the suggestion of Mr. Lionel V. Laxton, the local representative of the British Council, that it would be helpful if the Salvadoran Government would submit, for transmission to the British Council, something in the nature of a more complete offer of the Salvadoran Government for the settlement of the foreign debt.

Respectfully yours,

GERHARD GADE

816.51/12-1245

Memorandum by the Adviser of the Office of Financial and Development Policy (Livesey) to the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[Extract]

[WASHINGTON,] December 12, 1945.

. . . Late in the afternoon of December 10 the Council telegraphed the British Council as follows:

"American representatives in Salvador telephone no settlement possible if customs lien is retained but believe prompt settlement likely if lien waived. I am withholding telegram which would support your 3% suggestion as think it undesirable to make any concession if settlement impossible. Would you not be willing to withdraw insistence on preserving lien if provision is made for automatic priority restoration applicable to all series if any lien established later for other debt. This provision appears to us equivalent to lien. Responsibility for delaying service resumption in these circumstances seems grave. Signed Rogers."

It will be seen that the American Council proposes to support the British request for a 3% interest rate on arrears instead of the Salvadoran proposal of a 2% rate in case the British Council drops its insistence on a customs lien. The negotiation may of course break down on this point even if the British waive the customs lien.

816.51/12-1445: Telegram

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

SAN SALVADOR, December 14, 1945—noon.

[Received 2:39 p. m.]

339. In new instructions to Laxton, British Council agrees (1) to change of date to Jan. 1, 1946, (2) to funding bond interest of 3 percent but not 2 percent, and (3) to waiver of customs lien provided (a) lien immediately restored if Salvador borrows fresh money on any specific security whatever and (b) if Salvador borrows without giving security, it will affirm that the three series of the "existing loan rank senior to the new loan". Before presenting these instructions to Salvadoran Govt, Laxton is thinking of cabling British Council to reconsider. Deptel 205, Dec. 13 is being studied.⁴⁰

GADE

816.51/1-446: Telegram

The Secretary of State to the Chargé in Peru (Trueblood)

WASHINGTON, January 4, 1946—3 p. m.

8. National Assembly of El Salvador on December 29 enacted legislation for the adjustment of the Salvadoran foreign debt on the basis of new bonds dated January 1, 1946 paying respectively 4% interest in exchange for present 8% bonds of Series A, 3% interest for 6% bonds of Series B, and 3½% interest for 7% bonds of Series C. The 8 years of interest arrears will be funded into new 3% bonds, having face value of 50% of the arrears.

This leaves Bolivia, Peru and Costa Rica as only American Republics which have not made some adjustment of their National bond service.⁴¹

BYRNES

⁴⁰ Telegram not printed; it quoted a message from the Foreign Bondholders Protective Council to the Embassy (816.51/12-1345).

⁴¹ For documentation concerning bond service in Costa Rica, see pp. 885 ff.

GUATEMALA

DISCUSSIONS AND AGREEMENTS REGARDING MILITARY AND NAVAL COOPERATION BETWEEN THE UNITED STATES AND GUATEMALA

810.20 Defense/5-2245

The Ambassador in Guatemala (Kyle) to the Secretary of State

[Extracts]

No. 56

GUATEMALA, May 22, 1945.

[Received May 26.]

SIR: I have the honor to report that the United States Army and Navy officers scheduled to engage in a series of Staff Conversations with the Guatemalan Army staff officers arrived at Guatemala City on the afternoon of May 8, 1945; the Staff Conversations were formally opened on the morning of May 9, and formally completed on May 15, 1945.

The results of the Guatemalan-United States Staff Conversations were:

1) The Guatemalan authorities crystallized their tentative plans to reduce the size of the Guatemalan Army to a force of approximately 10,000 men and some 300 to 400 officers. This reorganized and "streamlined" Army would, of course, use United States equipment, and it was estimated that the original cost of outfitting the reorganized army with modern matériel and other supplies would be approximately \$3,500,000.

The ground forces of the reorganized army would then consist of one complete but light infantry division, one mixed regiment of cavalry containing one squadron of horse cavalry and one squadron of mechanized cavalry, one battalion of field artillery using 105 mm. howitzers and one battery of coast artillery using 55 mm. guns.

The air force would include twelve BT-13 airplanes, twelve AT-6 airplanes, three C/45 airplanes, one C-47 airplane, and twelve P-36 or P-51 airplanes.

2) The Guatemalan Army would be trained by a United States Military Mission under a contract which would exclude the services of military missions or experts of any third government. In addition, it appears that the presence of high-ranking United States Military and Naval officers in Guatemala has assisted in persuading the Guatemalan military authorities to continue the services of a United States Military officer as Director of the Guatemalan Military Academy (Escuela Politecnica). . . .

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General Brett¹ and General Underwood then discussed the Conversations with me and officers of this Embassy at the Embassy residence.

I mentioned to the visiting Generals that the Embassy had felt some concern that the Staff Conversations might lead the Guatemalan Government to believe that it would obtain large additional quantities of matériel which, in the view of this Embassy, might conceivably be misused. General Brett emphasized that one of the purposes of these Staff Conversations was to persuade the military authorities in countries such as Guatemala to reduce the size of their armed forces; that while the Staff Conversations would of course contemplate the provision of reasonable amounts of matériel from the United States, no commitments would be made on this subject and there would be no indication as to whether the matériel would be provided under Lend Lease or by straight purchase. It was also mentioned that one of the purposes of the Staff Conversations would be to replace matériel already on hand but of European manufacture, in order to get the armies of the American Republics completely out of the habit of using such matériel—and to eliminate the tendency to obtain additional supplies of such equipment for the sake of uniformity or to repair existing equipment.

General Brett mentioned that since the purpose of the Staff Conversations was to encourage uniformity in the training of the armies of the various American Republics through the use of the United States military missions, it would, of course, at the same time have the effect of reducing the possibility in the future that the services of military missions or experts from third countries might be used.

It was mentioned to General Brett that a considerable part of the fundamental work of the Staff Conversations seemed already to be accomplished since:

(1) The Guatemalan military authorities had been talking for several months of reducing the size of the army and making it more efficient, and

(2) A United States Military Aviation Mission had been contracted by the Guatemalan Government in February, 1945² and negotiations were practically completed in Washington for the signature of a similar agreement for a United States Military Mission³ to advise and train the Guatemalan ground forces. It is of interest to note that a report of the Military Attaché of this Embassy concerning the Staff Conversations comments that the Guatemalan Army officers who

¹ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

² Agreement signed at Washington, February 21, 1945; for text, see Department of State Executive Agreement Series No. 466, or 59 Stat. (pt. 2) 1488.

³ Agreement signed at Washington, May 21, 1945; for text, see Department of State Executive Agreement Series No. 459, or 59 Stat. (pt. 2) 1392.

participated in the Staff Conversations expressed the wish that the members of the United States Military Mission be of "company-grade" in order to foster a more intimate camaraderie between the Mission members and the Guatemalan officers they will be instructing.

Respectfully yours,

EDWIN J. KYLE

810.20 Defense/8-2845

The Ambassador in Guatemala (Kyle) to the Secretary of State

No. 538

GUATEMALA, August 28, 1945.

[Received September 4.]

SIR: I have the honor to refer to the Department's unnumbered informal comment of August 21, 1945 ⁴ concerning various despatches of this Embassy, and in particular despatch no. 247 of June 26, 1945, entitled: "Convenient Summary of Report of Bi-Lateral Military Staff Conversations with Guatemala—showing Present Guatemalan Military Strength and Recommended Organization".

In its informal comment, the Department inquired whether the Embassy agrees that the Guatemalan Army now numbers 13,311, and whether Guatemala would be able to support and maintain an army of 10,806, including the proposed air force and 32 airplanes.

As indicated in the enclosure to despatch no. 247, only about 2,400 officers and men of the total infantry figure of 11,725 are organized into fighting units. This number of 2400, when added to the numbers of officers and men in the smaller specialized units, brings the total fighting strength of the present Guatemalan Army to 3,986 officers and men. The Embassy believes that this total constitutes the fighting strength of the Guatemalan Army at present for any practical purposes of defense. The difference between this figure and the larger figure of 13,311 would seem to be of significance only as a sort of "active reserve" which could be utilized for the most elementary type of fighting with considerable rapidity. It is understood that weapons are not issued to this larger group of men and that they would be important as replacements for the total of 3,986.

The Embassy believes that Guatemala might be able readily to support and maintain an army of 10,806, provided some special allowance were made for obtaining under lend lease, or by some other financially advantageous method, the equipment recommended for an army of this size in the Staff Conversations which were reported in this Em-

⁴ Not printed.

bassy's despatch no. 247. Once this equipment was obtained, the budget for an army of this size could be \$3,164,000 in 1945 as compared with an expenditure of \$2,298,315 in 1944.

Respectfully yours,

For the Ambassador:
ROBERT F. WOODWARD,
First Secretary of Embassy

PROTECTION OF AMERICAN INTERESTS IN THE EXPROPRIATION OF
AN AIRLINE IN GUATEMALA

814.796/4-1945

The Acting Secretary of State to the Ambassador in Guatemala (Kyle)

No. 36

WASHINGTON, July 2, 1945

SIR: Reference is made to your Embassy's despatches no. 2391 of April 19, 1945 and no. 70 of May 25, 1945,⁶ and to previous correspondence with reference to the intervention and later expropriation of Aerovías de Guatemala, S. A., whose capital was almost wholly owned by American citizens. The expropriation was effected by a decree dated February 6, 1945, published in the *Diario Oficial* on February 8, 1945, but the Department has received no indication that the Guatemalan Government has made any effective progress towards the liquidation of Aerovías, or towards the payment of just compensation to the owners thereof. In consequence of this situation, and of the proposed organization of the new concern, Compañía Guatemalteca de Aviación, S. A., to which the Government of Guatemala is to contribute the property and equipment which it expropriated from Aerovías, you are requested in your discretion, to deliver the enclosed note ⁷ to the Guatemalan Government.

It is the Department's feeling that this note should be delivered in the near future. It is realized that certain Guatemalan officials and an important sector of public opinion in Guatemala, consider Aerovías and Alfred Denby as a single entity, and look upon both with an emotional antipathy.⁸ The Department, on the other hand, must view the situation in dispassionate appraisal, with full weight given to the legal aspects involved. The bare facts are that an American concern has been expropriated without any arrangements having so far been made for the payment of prompt and adequate compensation.⁹

⁶ Neither printed.

⁷ Not printed.

⁸ Alfred Denby, an American citizen, had been closely associated in personal, political, and financial affairs with former President Jorge Ubico, and had been forced to flee from Guatemala immediately following the President's overthrow on October 20, 1944 (414.11 Denby, Alfred/1-1545). Denby owned approximately 80 percent of the Aerovías stock (814.796/9-2245).

⁹ Pan American Airways, Inc., owned almost all the shares of the Aerovías stock not controlled by Denby (414.11 Denby, Alfred/9-345).

The Department can only view such a situation with concern. If the Guatemalan Government has any charges to bring against Mr. Denby, as distinct from Aerovías, it is entitled to do so and, if necessary, to freeze Mr. Denby's share of the proceeds of Aerovías to guarantee payment of any unsettled obligations; but it is not considered that this should lead the Department to abandon the principle—upheld in the interest of all American citizens with investments abroad—that the owners of expropriated properties should receive prompt and adequate compensation. It is for this reason that the Department emphasizes the distinction between Aerovías as a company, whose stock was held almost entirely by American citizens, and Mr. Denby, who was one of the stockholders therein. The Embassy might wish, in its discretion, to emphasize this distinction, and the principle involved, to the Guatemalan Government.

Should the Embassy wish to suggest any changes in the text of the enclosed note, the Department will be happy to give its most careful consideration to such proposals.

The expropriation of Aerovías was, according to the decree in question, based on Article 28 of the Constitution of 1935, providing for just compensation in case of expropriation. You are requested to provide the Department with any legislation which may have been adopted to carry out the provisions of Article 28 of the Constitution of 1935, as well as with any available information concerning the bases which have been used in Guatemala in the past in reaching a "just value" for expropriated property.

Very truly yours,

For the Acting Secretary of State:

NELSON ROCKEFELLER

414.11 Denby, Alfred/6-2945

The Secretary of State to the Ambassador in Guatemala (Kyle)

No. 41

WASHINGTON, July 6, 1945.

SIR: Reference is made to the Department's telegram no. 366 of June 29, 4 p. m.,¹⁰ with regard to the failure of the Guatemalan Government to authorize the issuance of a visa to Mr. Walter M. Barnett, attorney for Mr. Alfred Denby, in time to permit him to make his trip to Guatemala as planned, in spite of a statement made to the Embassy by the Guatemalan Foreign Minister, and reported in the Embassy's telegram no. 260 of April 10, 1945,¹⁰ to the effect that the issuance of a visa to Mr. Denby's representative had been approved. The Department notes that this is the second time that delay on the part of the Guatemalan Government has prevented Mr. Denby from sending an attorney to Guatemala to protect his interests. You are requested

¹⁰ Not printed.

to discuss this situation with the Foreign Office, pointing out Mr. Denby's repeated allegations of obstructionist tactics on the part of the Guatemalan Government, and the weight which is lent to such charges when that Government twice fails to permit his attorney to proceed to Guatemala to investigate the situation affecting his interests. The Department notes that in the first instance, the delay was so prolonged that by the time the issuance of the visa was authorized, the man whom Mr. Denby had selected to represent him was no longer available; and that in the second instance, while the Government later expressed willingness to permit Mr. Barnett's travel, as reported in your telegram no. 434 of July 2, 5 p. m.,¹¹ the failure to grant the visa upon six days' notice necessitated the cancellation of Mr. Barnett's airplane reservations. You should make it clear to the Foreign Minister that should the consequent delay have a detrimental effect upon Mr. Denby's interests, the responsibility therefor lies wholly upon the Government of Guatemala.

Adverting to the second failure of the Guatemalan Government promptly to grant permission for Mr. Denby's attorney to go to Guatemala to investigate the situation affecting his interests, it is noted that the Guatemalan Government has recently brought suit against Mr. Denby (your despatch no. 187 of June 14, 1945¹²); and that refusal to permit his attorney's travel effectively prevents him from answering these charges and from arranging for local legal representation, thereby lending further strength to Mr. Denby's charges of obstruction, of refusal of the right of an impartial hearing in court, and therefore of denial of justice by the Government of Guatemala.

The Department believes that the issues which have been raised by the Embassy in its conversations with the Guatemalan Government with regard to Mr. Denby's case have been clouded by a misconception existing in the mind of that Government, and that this misconception should be clarified and removed. The Guatemalan Government apparently considers that Mr. Denby engaged in improper political activities, and appears to operate under the assumption that this issue has been raised with the Government of the United States, the proofs presented and the Guatemalan contention accepted. Such is not the case.

The Department has intervened in Mr. Denby's behalf as it would intervene for any bona fide American citizen. While it has been apparent that Mr. Denby might be charged with improper political activity in Guatemala, the salient point at the moment is that the

¹¹ Not printed.

¹² Not printed; the suit was brought for alleged embezzlement of Aerovías funds (414.11 Denby, Alfred/6-1445).

Guatemalan Government has not yet made any official accusations in this sense. Unless and until it does so, the Department cannot concede their validity, and must and will continue to accept Mr. Denby's denial of such actions at its face value, especially since the Embassy has been able to find so little proof to substantiate such charges.

Should the Guatemalan Government allege improper political activities by Mr. Denby, it should present proof thereof to support its charges, so that the Department may weigh the evidence and decide whether Denby did in fact engage in political activity of such a nature and extent as to warrant it in refusing to extend him further protection. Unless and until this point is reached, the Department can give no weight to the personalized animosity against Mr. Denby existing in Guatemala; it cannot operate in its relations with Guatemala on the basis of personalities and vague insinuations; and it must and will continue to extend to Mr. Denby the assistance which it would render to any American citizen in similar circumstances.

It is hoped that you will be able to clarify the foregoing distinctions to the Guatemalan Government so that it will either handle Mr. Denby's case on a dispassionate legal basis; or else will bring forth any charges it may have against him and present proof to sustain its allegations.

Very truly yours,

For the Secretary of State:
NELSON ROCKEFELLER

814.796/7-2545

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

No. 394

GUATEMALA, July 25, 1945.
[Received July 30.]

SIR: I have the honor to refer to the Department's air mail Instruction No. 36 of July 2, 1945, transmitting a draft note for presentation to the Guatemalan Government, in the discretion of this Embassy, expressing the concern of our Government that no effective action has been taken by the Guatemalan Government to give just compensation to the American owners of the Aerovías air line which the Guatemalan Government has expropriated.

The Department's Instruction No. 36 and the draft note have been utilized, so far, by this Embassy for two discussions of this subject with the Guatemalan Minister of Foreign Relations, Licenciado Guillermo Toriello. The Embassy has as yet not formally presented the note, for the following reasons:

1. As reported in this Embassy's Despatch No. 224 of June 21, 1945,¹³

¹³ Not printed.

entitled "Liquidation of the Expropriated Commercial Aviation Company—Aerovías de Guatemala, S.A.", Pan American Airways has been in active negotiation with the Guatemalan authorities for an adequate liquidation of its shares in Aerovías. The Manager of Pan American Airways in Guatemala ¹⁴ is optimistic that a satisfactory settlement can soon be made. It has been pointed out to the Manager carefully by this Embassy that any settlement made by Pan American Airways is likely to be considered as a precedent.

2. The present Guatemalan authorities are inclined to be so resentful of any official representation on behalf of Alfred Denby, or on behalf of any former property of Denby's, that it seems that the interests of the American owners of Aerovías may best be served for the time being by informal representations, at the most.

3. When this matter was discussed with the Foreign Minister on July 12, he said that he thought he would have a definite reply on July 17, indicating that arrangements would have been made by the Guatemalan Government to liquidate the shares of Aerovías at an acceptable rate. When no reply was forthcoming on July 17, the matter was again discussed in complete detail concerning the views expressed in the Department's Instruction No. 36. He said he would be away on a trip to Lima, Peru for about six days, but that he thought the liquidation would be effected and the amounts of compensation deposited in the various accounts (Denby's presumably, in his frozen account) within a very short time.¹⁵

Respectfully yours,

For the Chargé d'Affaires, a.i.
ARCHIBALD R. RANDOLPH
Acting Commercial Attaché

814.796/10-2745 : Telegram

The Ambassador in Guatemala (Kyle) to the Secretary of State

GUATEMALA, October 27, 1945—noon.

[Received 6:51 p. m.]

631. The Guatemalan Foreign Minister and the Guatemalan Minister of Finance have again urged me to assist in persuading the authorities of our Government in Washington to permit the sale of air planes and aviation equipment in the U.S. to Aviateca.¹⁶ In view of

¹⁴ J. H. Wilson.

¹⁵ On September 17, the Guatemalan Minister of Finance, Jorge Toriello, offered the owners of Aerovías \$212.47 per share of stock (814.796/9-2245). On October 9, in a note to the Secretary of State, not printed, the Guatemalan Ambassador to the United States, Jorge García Granados, informed the Department that his Government had deposited the sum of 120,045.55 quetzales to the blocked account of Alfred Denby, in compensation for his 565 shares of stock (414.11-Denby, Alfred E./10-945).

¹⁶ In telegram 587 of September 29, 3 p. m., Ambassador Kyle recommended that the Department authorize the cash sale of airplanes to Aviateca, pending a decision as to whether Guatemala's payment of \$212.47 per share of Aerovías stock constituted "just payment". The Department disapproved the recommendation. (814.796/9-2945)

all the facts reported in the Embassy's despatch No. 767, October 23¹⁷ concerning the decision of Pan-American Airways to accept payment deposited by the Guatemalan Government for its 20% ownership of Aerovías the Department may wish to reconsider its position to permit the sale of airplanes and related equipment to Aviatega on a cash basis. The data concerning book valuation [of] Aerovías requested in the Department's airgram 693, October 15,¹⁸ has been promised by management of Aviatega and should be ready to transmit to the Department within a few days.

KYLE

814.796/10-2745 : Telegram

The Secretary of State to the Ambassador in Guatemala (Kyle)

WASHINGTON, November 2, 1945—8 p. m.

556. Reurtel 631 Oct 27. Settlement for Aerovías proffered by Guatemalan Government is not result of negotiations with stockholders nor is it so far clear on what values offer is based. Dept is happy to have plainly established principle of compensation but must protect rights American citizens to compensation which is just. Latter not yet clear. Consequently, Dept still unwilling release airplanes and equipment to Aviatega.

Upon receipt additional information requested Depts A-693 Oct 15¹⁸ every effort will be made to reach prompt decision as to adequacy of proposed compensation.¹⁹

BYRNES

**AGREEMENT BETWEEN THE UNITED STATES AND GUATEMALA
AMENDING THE AGREEMENT OF JULY 15, 1944, RESPECTING AN
AGRICULTURAL EXPERIMENT STATION, SIGNED MARCH 10, 1945**

[For text of the agreement, signed at Guatemala, see Department of State Executive Agreement Series No. 464, or 59 Stat. (pt. 2) 1471.]

¹⁷ Not printed; it provided figures to show that participation in Aerovías had been very profitable for the owners despite the disputed evaluation of \$212.47 per share (814.796/10-2345).

¹⁸ Not printed.

¹⁹ On December 18, Ambassador Kyle met in Washington with Guatemalan Ambassador to the United States García Granados, Guatemalan Counselor of Embassy López-Herrarte, Chief of the Division of Caribbean and Central American Affairs W. P. Cochran, Jr., and Miss Anna O'Neill of the Legal Division. Ambassador Kyle opened the meeting, which had been called at his request, by stating that he felt that the Denby case was the principal obstacle to his accomplishing his mission and furthering good relations with Guatemala. (414.11-Denby, Alfred/12-1845) Representations by the Department in protection of the owners of Aerovías continued into 1946.

HAITI

DISCUSSIONS REGARDING MILITARY AND NAVAL COOPERATION BETWEEN THE UNITED STATES AND HAITI

[The Ambassador in Haiti, Orme Wilson, reported in despatch No. 805 of June 6, 1945, on staff conversations held by United States and Haitian authorities from May 23 to May 29 on military, naval, and air subjects (810.20 Defense/6-645), and in despatch No. 1115 of November 9 he recommended that unless the Department of State "views with disfavor a policy which might tend to keep President Lescot in office, there would appear to be no objection to supplying the small amount of equipment contemplated by the War Department" (800.24/11-945).

Correspondence leading toward the negotiation of a standard form of agreement concerning the detail of military officers of the United States armed forces to serve as "technical advisers" in Haiti continued through 1945 and was interrupted in January 1946 by a change of government in Haiti.]

EFFORTS TO EASE THE BURDEN OF HAITI'S FOREIGN DEBT WHILE PROTECTING THE INTERESTS OF AMERICAN BONDHOLDERS

888.51 Cooperation Program/6-2845

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

No. 860

PORT-AU-PRINCE, June 28, 1945.

[Received July 3.]

SIR: I have the honor to invite the Department's attention to my despatch no. 280 of October 7, 1944¹ in regard to the intention of the Haitian Government to prepare a plan providing for the improvement of Haitian agriculture and general economy, the expenses of which would be extended over a period of five years.

I now have the honor to report that this plan² was placed in my hands on June 22 and is now being subjected to a careful study by the appropriate members of the Embassy. It is divided into three sections comprising (1) agriculture, (2) road construction and (3) other public works. The total expenditures contemplated under these three headings amount to 46,385,000 gourdes, of which 19,825,000 are allotted to agriculture, 25,910,000 for the construction of roads and

¹ Not printed.

² Not printed; copy transmitted to the Department in despatch 887, *infra*.

the small remainder for other improvements, principally the construction of a dock for coastwise shipping at Port-au-Prince. The section devoted to roads provides for the construction of an asphalted highway from Port-au-Prince to Cap Haitien, and for various classes of roads and paths in other parts of the Republic, the purpose of this construction being not only to provide more rapid communication but to facilitate the transport of Haitian products to the seaports. The section devoted to agriculture is most complicated and the one which is probably of major interest to the Department. The largest expenditures would be devoted to irrigation, reforestation and the raising of livestock, smaller amounts being allotted to promoting the cultivation of coffee, cocoa, cotton, etc., and to combating diseases affecting the banana plant. In my opinion it is this section which should receive the most careful attention, as the increase of Haitian production, and consequently an improvement of Haiti's wealth and standard of living, are intimately connected with these projects. The construction of roads would appear to be a matter of secondary importance in comparison with the former. If possible, I shall forward a copy of this document to Washington for the Department's perusal. It is, however, voluminous and intricate and a translation would be a difficult and laborious task.

On the same day that I received the copy of the Five Year Plan, President Lescot handed me a memorandum, a copy and translation of which are transmitted herewith,³ which attempts to justify this plan, this justification being based on the contention that if Haiti takes these measures it will put itself in a better position to face its obligations. It then points out that the income of the Haitian Government in post-war years will be uncertain, that it is not desired to request a moratorium on its foreign debt, and that in order to put into effect the contemplated plan of public improvement, it will be necessary to reduce amortization on the 1922-1923 bonds⁴ and the loan of the Export-Import Bank.⁵ The good offices of the United States Government are requested with a view to inducing these creditors to accept the terms offered in the memorandum.

The problem, therefore, is to determine whether and to what extent the Department should support the plan of the Haitian Government.

³ Memorandum dated June 22, signed by President Elie Lescot, not printed.

⁴ Series A and Series C bonds of the American loan of 1922; see *Foreign Relations*, 1922, vol. II, pp. 515-516; *ibid.*, 1923, vol. II, pp. 420-423; and *ibid.*, 1938, vol. V, p. 575, footnote 7. The series B bonds had been retired by mid-1937 (*ibid.*, 1937, vol. V, pp. 569-580, *passim*).

⁵ Contract of 1938 between the J. G. White Engineering Company and the Export-Import Bank, whereby Haitian Government notes of approximately \$5,000,000, given in payment for work performed and material furnished for a public works program in Haiti, were to be discounted by the Export-Import Bank. See Department of State *Press Releases*, July 30, 1938, pp. 64-65.

As stated above, I believe that the plan for highway improvement is of secondary importance, compared to the agricultural project. However, even if consideration should be limited to the latter, which amounts to about 20,000,000 gourdes, or \$4,000,000, it will be necessary to determine how much of this is practicable, in other words, whether Haiti, with its meager resources of officials and technicians would be able to carry out these projects and to maintain them efficiently after completion, as it would certainly serve no useful purpose to ask Haiti's creditors to make concessions which would achieve no satisfactory results. Even with the more modest plan which I have just suggested, I do not believe it would be possible for Haiti to incur these increased expenses and at the same time maintain amortization in the same volume as in the fiscal year 1944-45. In addition, it must be recalled that the payments to the Export-Import Bank on the Shada loan ⁶ should commence in 1947.

The matter is further complicated by the fact that agitation continues in the press for the termination of the financial relations established between Haiti and the United States through the Agreement of September 13, 1941.⁷ As I have stated in previous despatches, this subject has not even been suggested to me by the Haitian Government. However, with the submission of the Five Year Plan and the termination in 1946 of the contracts of Messrs. Williams, Pearson and Roosevelt,⁸ it is necessary to face this matter. It will undoubtedly be essential to obtain the views of the bondholders, who might be willing to agree to the termination of the present financial relations. On the other hand, it can be argued that if the Haitian Government requests the bondholders to extend maturity of the bonds and incurs additional expenditures at a time when that Government itself confesses that its future income may be harmfully affected by the end of the war, the control and supervision that has existed since 1941 should be maintained. It is hard to predict Presi-

⁶ Shada, the Société Haitienne Américaine de Développement Agricole, a corporate agency of the Haitian Government, received a line of credit of \$5,000,000 in August 1941 from the Export-Import Bank to finance the production of sisal and cryptostegia (source of rubber) for the war effort. (810.5018/198; 838.51 Cooperation Program/10-2144; and 839.415/176.)

⁷ Agreement signed at Port-au-Prince between the United States and Haiti, which terminated the offices of Fiscal Representative and Deputy Fiscal Representative and modernized the fiscal machinery set up in 1915 while adequately safeguarding the interests of the holders of the 1922 and 1923 Haitian bonds. For summary of the Agreement, see Department of State *Bulletin*, September 13, 1941, pp. 214-215; for text and related exchange of notes, see Department of State Executive Agreement Series No. 220, or 55 Stat. (pt. 2) 1348. For documentation relating to the Agreement, see *Foreign Relations*, 1941, vol. VII, pp. 322 ff.

⁸ W. H. Williams, Thomas Pearson, and Edward F. Roosevelt were designated as the three United States members of the Board of Directors of the reorganized Bank, the National Bank of Haiti, in the exchange of notes that accompanied the Agreement of September 13, 1941.

dent Lescot's position in this matter. On the one hand he has assured me that all expenditures incurred under the Five Year Plan should be supervised by the Bank.⁹ On the other, he might easily believe that it would strengthen his political position if he could point out to the Haitian public that he had "liberated" Haitian finances from foreign control.

When the President handed me his memorandum, I again made it clear to him that decision in regard to amortization would rest with Haiti's creditors. He appears to understand this, but hopes for the Department's intervention.

Respectfully yours,

ORME WILSON

838.51 Cooperation Program/7-1445

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

No. 887

PORT-AU-PRINCE, July 14, 1945.

[Received July 18.]

SIR: With reference to my confidential despatch no. 860 of June 28, 1945 reporting that the Haitian Government had placed in my hands the text of its Five Year Plan for the improvement of Haitian agriculture and general economy, I have the honor to transmit herewith for the Department's attention a copy of this document.¹⁰ Another copy has been received from the Haitian Government and will be retained for the Embassy's use.

As I have stated in my despatch mentioned above, translation of this document would be a difficult task for the limited staff of the Embassy. If, however, the Department desires to have translations of certain portions, the Embassy will endeavor to make these as promptly as possible. I have read it and discussed it with Mr. Williams and with Messrs. Tanner and Hiern, the Agricultural Attaché and Senior Economic Analyst of the Embassy respectively. Messrs. Tanner and Hiern have studied the sections of the Plan relating to agriculture and road construction and have prepared memoranda expressing their opinions and suggestions, copies of which are forwarded herewith, together with copy of a memorandum dated July 9 of my conversation with Mr. Williams on the financial aspect of the matter.¹¹

The memoranda prepared by Messrs. Tanner and Hiern merit the Department's careful attention. Neither of them expresses himself very favorably on the intrinsic merits of the Plan. Mr. Tanner is

⁹ National Bank of Haiti.

¹⁰ Not printed.

¹¹ Memoranda not printed.

of the opinion that the irrigation projects will affect only a small proportion of Haiti's peasant families and that an effort should be made to utilize more effectively those irrigation systems already in existence. He states that reforestation should not be commenced unless some quick growing trees are planted to solve Haiti's critical fuel problem. He considers that the livestock program is unsuitable to a country of small peasant land holdings such as Haiti, a fact which also in his opinion renders impracticable the project to use tractor plows. Finally, he touches upon the delicate personnel problem caused by Haiti's social conditions.

Mr. Hiern is of the opinion that the distribution of roads contemplated in the Five Year Plan is not well suited to promote the country's agricultural production. He also believes that the contemplated highway from Port-au-Prince to Cap Haitien, although well conceived, should not be paved with a thin layer of asphalt, which would occasion considerable expense for construction and maintenance. Both Messrs. Hiern and Tanner recommend that the entire plan be subjected to the study and scrutiny of American, as well as Haitian technicians before it is put into effect.

It is my understanding from a statement made to me by Foreign Minister Lescot ¹² that a copy of the Plan was given to the Department during his recent visit to Washington. If so, the Department may wish to study it in the light of the views presented by Messrs. Tanner and Hiern, which are deserving of consideration. I have had no occasion to discuss the merits of the Plan with President Lescot and have limited my comments to the Foreign Minister to a statement that it is being carefully examined by the Embassy and that it might be necessary to discuss some portions of it with the Haitian authorities. In reply, he expressed the hope that agreement could be reached by October 1, the date on which the new budget goes into effect. I venture to suggest that after the Department has given appropriate attention to the matter I be authorized to approach the Haitian Government with an expression of the Department's views on the intrinsic merits of the Plan and to enter into such discussions with the Haitian authorities as may be advisable, as it seems evident that no satisfactory arrangement can be reached providing for the postponement of amortization payments on Haiti's foreign debt until an agreement is arrived at concerning the reasons for spending funds which the Haitian Government's creditors can properly claim as owing to them.

It should be borne in mind that the disposition which will be made of the Five Year Plan may have an important bearing on President

¹² Gérard E. Lescot.

Lescot's political fortunes. He announced, probably unwisely, that the Plan would be drawn up and would have an important bearing on Haiti's economic welfare. Consequently, should the project fail, there is little doubt but that it will have a harmful effect upon his political prestige and that it will be alleged that he is losing the support of the United States Government, with whom he has collaborated closely and upon whom he has depended. It is, of course, impossible to predict whether these circumstances would strengthen his political enemies sufficiently to enable them to drive him out of office, although I believe that this is hardly likely to happen. Nevertheless, one should be prepared for such an eventuality and bear in mind that it is not possible to predict who would become President in the event of Lescot's fall. Notwithstanding his faults, Lescot has, although undoubtedly in his own interest, cooperated closely with the United States, and has thereby, however slightly, facilitated the prosecution of the war. Unless, therefore, it is the Department's belief that it would be advisable to encourage a change in the chief executive of this republic in order to obtain the inauguration of a more democratic regime, it is difficult to see how such a change would greatly improve our relations with Haiti.

Respectfully yours,

ORME WILSON

838.51/8-645

*Memorandum of Conversation, by Mr. Charles C. Hauch of the
Division of Caribbean and Central American Affairs*

[WASHINGTON,] August 6, 1945.

Participants: His Excellency, André Liautaud, Ambassador of Haiti
A-R—Assistant Secretary of State Nelson A. Rockefeller

FN—Mr. Corliss ¹³

CCA—Messrs. Cochran ¹⁴ and Hauch

This meeting was arranged at the request of the Haitian Ambassador to discuss amortization payments on Haiti's foreign debt during the Haitian fiscal year commencing October 1, 1945, as well as the twenty-five year amortization extension schedule for the debt, which had been proposed by the Haitian Government as one means of financing its Five Year Plan.

Mr. Rockefeller stated that the interested officers of the Department had examined with a great deal of care the Five Year Plan and the proposed amortization extension. He emphasized this Government's

¹³ James C. Corliss, Assistant Chief of the Division of Financial Affairs.

¹⁴ William P. Cochran, Jr., Assistant Chief of the Division of Caribbean and Central American Affairs.

desire to cooperate in such long run economic development of the country as would mutually benefit both the United States and Haiti, and that this Government would be pleased to examine with Haiti means whereby the Plan or a modification thereof might be put into effect. He stated, however, that it was the view of the interested officers of the Department that the present amortization schedules for the repayment of the Haitian foreign debt should stand. For 1945-46, this would mean two payments of \$400,000 each to the Export-Import Bank on the Public Works contract of 1938, and \$700,000 to the holders of the 1922-23 bonds, with the provision that the last \$300,000 of this amount would be payable only if it should appear by the end of the first six months of the fiscal year that the Haitian Government's revenues for the year would reach 35,000,000 gourdes.

The Ambassador expressed regret that the Department felt unable to agree to the Haitian Government's proposed readjustment of the debt schedules. Considerable discussion ensued as to the present status of Haiti's financial obligations and the desirability of maintaining present amortization schedules. The Ambassador emphasized again the points he had brought up during his conversation with officers of the Department on July 5th (see memorandum of conversation entitled "Haitian Finances and the Five Year Plan"¹⁵), including the point that it would be to the advantage of all concerned, including the bondholders themselves, if Haiti were to use a considerable portion of its present surplus and its future revenues to help finance the long-run economic betterment of the country. The advantages to Haiti in paying off bonds bearing a high rate of interest as quickly as possible and at a time when the Haitian Government is enjoying the highest revenues in its history were pointed out by the officers of the Department.

The Ambassador agreed that Haitian revenues for 1945-46 would probably continue at a high level, but asserted that the Government felt it essential to use considerable of these funds and of the present surplus to realize at least a portion of the approximately 9,000,000 gourdes originally envisaged as the first year's expenditures under the Five Year Plan. He said that the Haitian Government would like to allocate 2,000,000 gourdes of the anticipated surplus of 7,000,000 gourdes on October 1st to start the Plan, but that this would be impossible if the 1944-45 amortization arrangement for the 1922-23 bonds were continued for 1945-46, since the Government also wished to re-

¹⁵ Memorandum not printed; the conversation was held in Washington among Ambassador Liautaud and Foreign Minister Gérard Lescot of Haiti; Mr. Rockefeller and his special assistant, John C. McClintock; Avra M. Warren, Director of the Office of American Republic Affairs; and Mr. Cochran.

tain a reserve of 2,000,000 gourdes, and at the same time to pay on September 30 the 2,000,000 gourdes (\$400,000) due the Export-Import Bank on November 15. (Note: The Ambassador was obviously referring to the fact that under the arrangement proposed by the Department, it would be necessary for Haiti to make a payment of 2,000,000 gourdes, i.e., \$400,000, to the 1922-23 bondholders on October 1, whereas the Haitian Government had hoped to pay only 1,000,000 gourdes as of that date. If 4,000,000 gourdes of the surplus were paid to the Export-Import Bank and the private bondholders and 2,000,000 gourdes retained as a reserve, only 1,000,000 gourdes of the surplus could be allocated to the Five Year Plan.)

Ambassador Liautaud said that Haiti's payments on the 1922-23 loan contracts were already ahead of schedule, since under these contracts, approximately \$7,965,000 should still be outstanding at the present time, whereas the actual amount is only about \$6,792,000. He implied that a moratorium might, therefore, be in order. It was pointed out to the Ambassador, on the other hand, that if these obligations are to be met by the maturity dates of 1952 and 1953, annual amortization to the amount of approximately \$900,000 per year would ordinarily have to be paid, whereas the total amount for 1944-1945 was only \$700,000, with the same arrangement now proposed for 1945-1946.

The Ambassador said that he was pleased to learn of the willingness of this Government to consider other ways and means of assisting Haiti with the Plan, but inquired as to how soon such ways and means might be made known. He said that until the Haitian Government had definite information as to this point, it would still remain difficult for it to draw the budget for the fiscal year commencing October 1st, since it would not know how much to allow for the first year's expenditures under the Plan. It was suggested to the Ambassador that pending possible further consideration and discussion of the Plan by American and Haitian authorities, it might be possible for the Haitian Government to allocate a portion of its surplus as of October 1st, for the more immediately important features of the Plan.

Mr. Rockefeller again emphasized this Government's desire to lend assistance to Haiti and stated that he felt sure Mr. Bailey, Chief of the OIAA ¹⁶ Food Production Party in Haiti, would be glad to lend advice and assistance on the agricultural features of the Plan.

The Ambassador stated that he would communicate the views of the Department to his Government and would await further instructions.

¹⁶ Office of Inter-American Affairs.

838.51 Cooperation Program/8-2045

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

No. 954

PORT-AU-PRINCE, August 20, 1945.

[Received August 24.]

SIR: With reference to my telegram no. 268 of August 17, 1945, 4:00 p. m.,²¹ I have the honor to report that on August 14 I called on President Lescot at his request to discuss the Five Year Plan and its effect on the amortization of Haiti's foreign debt. The Ministers of Foreign Affairs,¹⁸ Finance and Commerce,¹⁹ Agriculture and Public Works²⁰ were present.

I was informed of Ambassador Liautaud's conversations with the Department, to which I replied that my knowledge of these conversations was limited to information given in the Department's telegram no. 259 of August 6, 6:00 p. m.²¹ and the Memorandum of Conversation dated August 6, copy of which I had received from Mr. Hauch.

The President and Minister Lacroix then talked with me at some length with the purpose of proving to me the impracticability of the Department's proposals, as set forth in the above-mentioned memorandum, since in their opinion it is urgently necessary to put the Five Year Plan into operation during the fiscal year 1945-46. The Minister read to me the Haitian Government's counter proposals and buttressed them by arguments to show the crushing burden which the acceptance of the Department's proposals would signify. In response to my request, he prepared a memorandum containing the text of these counter proposals, a copy and translation of which are enclosed.²²

These proposals comprise two outstanding features: (1) The reduction by about one-half of the proposed expenditures for the first year under the Five Year Plan; and (2) the suspension of amortization of the 1922-23 bonds for the professed reason that the total amortization payments have exceeded the stipulated amount by \$1,000,000. I pointed out to Mr. Lacroix that such a suspension would merely make subsequent annual payments higher, to which he retorted that his Government had received no answer to President Lescot's memorandum proposing a twenty-five year term of amortization in order to give relief to the Haitian Treasury. The Department will note that the Minister refers to conversations said to have taken

¹⁸ Gérard E. Lescot.

¹⁹ Abel Lacroix.

²⁰ Maurice Dartigue.

²¹ Not printed.

²² Memorandum dated August 14, signed by Abel Lacroix, not printed.

place in 1943 between officials of the Department and representatives of the Haitian Government in which the present situation was considered. He also endeavored to impress upon me that Haiti voluntarily increased its amortization payments in 1943, and was not obliged to do so under the agreement with the bondholders in force at that time.

President Lescot, with some show of feeling, supported his Minister by emphasizing his Government's sense of responsibility for the service of its foreign obligations, some of which were imposed on Haiti by a foreign Government during the Occupation.²³ He mentioned the heavy sums (\$26,000,000) of interest and amortization already paid on the 1922-23 bonds by a small and poverty stricken land. For the first time in conversation with me he referred rather bitterly to the lavish and wasteful expenditures made by Shada in the rubber plantations at Sources Chaudes, all of which his country would be obliged to bear. It was evident to me that the President and his Minister were trying to impress upon me that any reluctance on the part of the United States Government to give them material assistance would be ungenerous.

I pointed out that a plan as voluminous as that presented by the Haitian Government required of necessity sufficient time to study and consider in Washington before a final answer could be given, and that the Department had received this plan less than two months ago. The Haitians did not contradict this, but intimated that they knew well what their country needed. I asked the President whether due consideration had been given to the necessity of maintaining the contemplated public works and the inevitable expense thereby involved. To this he replied that all public works constructed in his administration had been properly maintained.

I promised to forward to Washington the Haitian counter proposals for next year, and in pursuance of the last paragraph of the memorandum of August 6, consented to arrange a meeting between Minister Dartigue, Mr. Bailey and the appropriate officials of this Embassy in order to consider the advisability of commencing some public works under the provisions of the plan during the next fiscal year.

It now seems quite clear, as intimated in my despatch no. 818 of June 14 [12]²⁴ that no funds will be available immediately for the Five Year Plan if the amortization discussed in the conversation of August 6 should go into effect. The accompanying tabulation, which was seen by Mr. Williams, shows this. It contemplates a surplus of 7,000,000 rather than 6,000,000 gourdes.

²³ United States military occupation, 1915-1934; see *Foreign Relations*, 1915, pp. 461 ff., and *ibid.*, 1934: vol. v, pp. 293 ff.

²⁴ Not printed.

7,000,000	gourdes surplus
<u>3,500,000</u>	gourdes to amortize 1922-23 Loan
3,500,000	gourdes
<u>4,000,000</u>	gourdes to amortize Export-Import Bank Loan
-500,000	gourdes
<u>+2,500,000</u>	gourdes to be set aside for reserve and amortization from estimated 1945-46 receipts
2,000,000	gourdes reserve
Nothing for Five Year Plan.	

Aside, therefore, from the question of whether the bondholders will consent to the abolition next year of amortization on their bonds in the event that the Export-Import Bank obligations are fully honored in this respect, it will be necessary to decide how far to help the Haitian Government in its Five Year Plan. The political aspect of the problem was discussed in my despatch no. 887 of July 14, 1945. I do not believe that this situation has changed materially since then. The intrinsic merits of the plan seem, therefore, to be of real importance, and it is with this idea in mind that the above-mentioned conversation with Minister Dartigue will be held. President Lescot has stated to me that all expenditures should be controlled by the National Bank. Of equal importance, however, is the knowledge that the money is well spent. It is for this reason that the Department might appropriately consider the possibility of suggesting to the Haitian Government at the proper moment that it would be appropriate to appoint American technical experts to assist in supervising the execution of the works contemplated by the plan, for the protection of both Haiti and its creditors.

Respectfully yours,

ORME WILSON

838.51 Cooperation Program/8-2045 : Airgram

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

WASHINGTON, August 31, 1945.

A-225. The Department has noted the Embassy's despatch 954 of August 20th to the effect that the Embassy had consented to arrange a meeting between Agriculture Minister Dartigue on the one hand and Mr. Bailey and officers of the Embassy on the other, for the purpose of considering the advisability of the Haitian Government's commencing public works projects under the Five Year Plan during the next fiscal year.

Pending further study of the Plan by this Government, the Embassy is not authorized to discuss with the Haitian Government the program

of public works or other individual projects contained in the Plan (reference penultimate paragraph on page 2 of despatch 954). The Department does not wish to give any grounds for belief by the Haitian Government that consultation or advice with the Embassy foreshadows any United States participation or responsibility in connection with the Plan. It is the Department's view that this responsibility rests basically with the Haitian Government, and no agency of this Government has recommended what steps, if any, should be taken by this Government with regard to the Plan.

The Embassy is requested to make clear to all persons concerned that such technical advice on the Plan as Mr. Bailey (pursuant to Mr. Rockefeller's statement to Ambassador Liautaud on August 6th) may personally give the Haitian Government at its request represents in no way the official views of this Government with respect to the Plan.

Note has also been made of the Haitian Government's impression, as evidenced by Minister Lacroix's memorandum of August 14th²⁶ and his statement to Ambassador Wilson of the same date, that it had not yet received a reply to President Lescot's earlier memorandum of June 22nd²⁶ proposing a 25-year term of amortization for Haiti's foreign debt. The Embassy is requested to convey to the appropriate Haitian officials the Department's view that present amortization schedules for repayment of the debt should stand, i.e., that the 25-year extension proposal is viewed unfavorably by the Department. This was indicated to Ambassador Liautaud at the meeting held at the Department on August 6th (see Department's telegram 259 of August 6th²⁶ and memorandum of conversation of that date²⁷ transmitted by instruction 447 of August 29²⁸).

An instruction embodying a further reply to the Embassy's telegram 268 of August 17th²⁶ and despatch 954, as well as to Minister Lacroix's memorandum of August 14th, is in preparation and will be transmitted to the Embassy shortly.

BYRNES

838.51 Cooperation Program/9-1245 : Airgram

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

PORT-AU-PRINCE, September 12, 1945.

[Received September 17—6 p. m.]

A-336. I have conveyed in writing to the Minister of Foreign Affairs and orally to President Lescot and Ministers of Finance and Agriculture opinion of Department as set forth on page 2 of airgram

²⁶ Not printed.

²⁷ *Ante*, p. 1095.

²⁸ Instruction 447 not printed.

no. 225 dated August 31 concerning amortization schedules for 1945-46.

I gather from a reliable source that the Haitian Government is preparing to accede to Department's views and will obtain, to that effect, the approval of the Board of Directors of the National Bank. The Government's plan is as follows:

At the end of September \$800,000 is to be sent to the United States drawn from the expected surplus of 7,000,000 gourdes. \$400,000 of this is to pay the Export-Import Bank note falling due on November 15, and \$400,000 to retire the six percent bonds of the issues of 1922-23. In order to pay the remaining \$700,000, \$500,000 has been incorporated in the budget of 1945-46 (see my despatch no. 998 dated September 11, 1945.²⁹) \$400,000 of this will be used to liquidate the Export-Import Bank note maturing in May 1945 [1946?] and \$100,000 to amortize the six percent bonds. This amount will be transmitted to Washington about May 1. The remaining \$200,000 will be taken from the balance of 3,000,000 gourdes of the 1944-45 surplus, depending, however, upon the volume of the Government's current receipts, and will probably be sent to Washington at the same time. The remaining 2,000,000 gourdes will be used to meet excess budgetary expenses.

This plan resembles that adopted in 1944-45. If it should be put into effect, it will presumably be necessary to conclude a supplementary executive agreement with Haiti.

WILSON

838.51 Cooperation Program/9-1545

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

No. 1008

PORT-AU-PRINCE, September 15, 1945.

[Received September 24.]

SIR: I have the honor to report that I have just received from President Lescot a letter enclosing a memorandum signed by the Haitian Minister of Finance and Commerce, in which the Haitian Government requests the Government of the United States to enter into discussions with a view to consolidating into a single bond issue of thirty years bearing three and one-half percent, the total Haitian debt to the United States. A few days ago the President told me that I would be handed such a memorandum and intimated to me that in his opinion the plan proposed would constitute a satisfactory solution of the Haitian Government's financial problems insofar as its foreign debt is concerned.

The suggestions advanced by Minister Lacroix constitute a modification of the project submitted in President Lescot's memorandum of

²⁹ Not printed.

June 22, 1945 (see my despatch no. 860 of June 28, 1945). They differ, however, from the former in that the obligations of Shada are included, while the life of the proposed consolidated debt is extended from twenty-five to thirty years, and the interest rate reduced from four and one-half to three and one-half percent, presumably for the purpose of absorbing more easily the additional burden imposed by the Shada notes. Whether the preparation of this memorandum was occasioned by my note no. 475 of September 7, 1945 transmitting the Department's decision set forth in airgram no. 225 of August 31, 1945, is uncertain. I am persuaded, however, that this information precipitated and hastened the Haitian Government's action.

The arguments advanced follow the same general line of thought which has been presented to me at other times. It is interesting to note, however, that the alleged errors of the former management of Shada are mentioned with evident displeasure and that reference is made to the possibility of reducing the obligation incurred by Shada. Another aspect of the matter which is worthy of notice is that this memorandum may foreshadow a request on the part of the Haitian Government to be absolved from the fulfillment of the amortization schedule desired by the Department, provided, of course, that such a refunding operation can be promptly effected. I am inclined to believe, however, that the Haitians would not refuse to retire the securities in question if they feel reasonably confident that their desires can eventually be realized.

I have, of course, given neither President Lescot nor Minister Lacroix any reason to believe that such a consolidation can be put into effect.

In this connection I desire to add that I have just received a letter from the President stating that Minister Lacroix will leave soon for the United States and that he will be glad to furnish to the officials of the Department such additional explanations as may be necessary concerning the memorandum which forms the subject of this despatch. I shall endeavor to obtain further particulars concerning the Minister's plans.

Respectfully yours,

ORME WILSON

838.51 Cooperation Program/9-1545 : Telegram

The Acting Secretary of State to the Chargé in Haiti (Abbott)

WASHINGTON, September 25, 1945—6 p. m.

327. Embassy's despatch 1008, Sep 15. For Abbott and Pettigrew.³⁰ From Dept and Exim Bank. Dept has conferred with Exim Bank re Haitian Govt proposal refinancing Haitian foreign debt including

³⁰ Robert L. Pettigrew, President and General Manager of Shada.

Shada obligations. In response Bank proposes and Dept agrees as follows: (1) Bank is willing to consider consolidation of Public Works loan of 1938 and Shada loans and to accept notes of Haitian Govt for total unpaid balance of the two loans as of Oct 1, 1946, the principal payable over 20 years by equal quarterly amortization payments, with interest at 4 per cent per annum. This would amount to amortization on both loans of approximately \$400,000 annually for 20 years compared to present \$800,000 annually on J. G. White credit alone. First quarterly payment under this plan would be made Nov 15, 1946, and Bank stock in Shada will be returned to Haitian Govt at that time. (2) Refunding of private foreign debts³¹ is not within policy of Exim Bank and this part of Haitian proposal must be declined.

At same time re President Lescot's views withdrawal of Bank membership from Shada Board (your despatch 967 [969], Aug. 27)³² Bank feels strongly it should have no representative on Board commencing Oct 1, 1945. This is in line with Bank's and Dept's policy in development corporations in other countries, e.g., Bolivia and Ecuador.³³ This means merely that Bank is withdrawing from active participation in Board's activities and in no way indicates that Bank is abandoning its interest in Shada's future and success. Bank's proposed 20 year term for repayment of Shada notes is obviously evidence of this fact.

Officer in Charge and Mr. Pettigrew are requested jointly to convey the above to President Lescot. Officer in Charge should also make clear at same time that if and when this plan goes into effect the Dept will expect Haitian Govt, depending on Govts annual revenues, to devote thereafter additional funds (i.e., a portion of the annual amortization saved on Exim amortization) to amortization of 1922-23 bonds. Haitian Govt would thus be able to make payments more in accord with 1922 and 1925 loan contracts with view to retiring these bonds by respective maturity dates of 1952 and 1953.

In this connection and to forestall possible Haitian objection to last point, the following three advantages to Haiti of the refunding plan should be stressed to President: (1) Reduction of present \$800,000 annual amortization to Exim Bank to \$400,000 (2) inclusion in this figure of Shada amortization which would otherwise constitute separate and additional charge; and (3) additional opportunity for Haiti to retire more quickly her 6 per cent obligations thus reducing heavy interest charges.

³¹ Series A and C Bonds.

³² Not printed.

³³ For documentation regarding Eximbank relations with development corporations in Bolivia and Ecuador, see pp. 590 ff. and pp. 1051 ff., respectively.

Haitian Govt should clearly understand this proposal in no way changes already agreed upon amortization plan for 1945-46, as set forth your airgram A-336, Sep 12.

Exim Bank is sending further communication to Pettigrew via Embassy.

ACHESON

838.51 Cooperation Program/10-245

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

No. 1042

PORT-AU-PRINCE, October 2, 1945.

[Received October 10.]

SIR: I have the honor to supplement my telegram no. 317 of September 29, 6 p. m.³⁴ reporting President Lescot's reactions to the Export-Import Bank's proposed consolidation of Haiti's Public Works Loan of 1938 (J. G. White) and the Shada loan.

After he had acquainted himself with the contents of my note setting forth the proposal (a copy of which is enclosed herewith)³⁵ the President expressed his disappointment at the non-inclusion in the plan of the 1922-23 Bonds. He then referred to the provision relative to the additional payments on bond amortization to be made from savings resulting from the reduction in amortization on the White loan, pointing out that if the savings effected through the consolidation were only to be devoted to amortization on the Bonds, the principal purpose of his request for Haitian debt consolidation would be defeated, i.e., no funds would be available for the productive public works so necessary to Haiti's future and economy. With reference to the withdrawal of the Bank's representative from Shada's Board of Directors, he said he did not favor this, but if the consolidation was carried out, he would agree.

During the interview Mr. Lescot continually reverted to the subject of the Bonds, emphasizing that they were his chief concern and that the high rate of interest was a heavy burden for such a poor country as Haiti. He pointed out that payments in interest and amortization already substantially exceed the original debts, with \$7,000,000 at six percent still outstanding.

In spite of his continual digressions, a trait well known to those familiar with him, on the burden of the Bonds, his confidence in Mr. Pettigrew and his determination to iron out all differences and to let nothing hinder friendly Haitian-American relations, the President indicated that the consolidation was agreeable to him. It is my impression, however, that before it will be accepted by the Haitian Government certain points, such as the amount of additional payments

³⁴ Not printed.

³⁵ Note dated September 29, not printed.

expected on the Bonds, will have to be clarified, and that an effort will be made to secure some modification of their terms. I also gathered that the President proposed to communicate at once with Minister Lacroix who, as the Department is aware, is at present in the United States.

With reference to the Bank's telegraphic instructions to Mr. Pettigrew, transmitted in the Department's telegram no. 329 of September 26, 6 p. m.,³⁶ I am transmitting herewith a copy of the latter's letter to Mr. Wayne C. Taylor,³⁷ President of the Bank, which would appear to be an appropriate enclosure to this despatch as it sets forth his impression of the President's reception of the proposed refunding scheme, which concurs with mine, as well as his reasons for not holding a Shada stockholders meeting at this time.

This despatch has been held over one day, as I had hoped that perhaps the Foreign Minister, with whom I had an appointment, might have had something to say on the subject; he, however, made no reference to it.

Respectfully yours,

WAINWRIGHT ABBOTT

838.51 Cooperation Program/11-145

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

No. 501

WASHINGTON, December 5, 1945.

SIR: Reference is made to the Embassy's telegram number 352 of November 1, 1945,³⁶ requesting appropriate instructions for the conclusion of a Supplementary Executive Agreement with the Haitian Government, modifying the Executive Agreement of September 13, 1941, and specifying the amortization payments to be made in the Haitian fiscal year 1945-46.

The Department has examined the texts of the various Supplementary Executive Agreements made with Haiti since 1941 and has considered it advisable to make certain changes in the text to govern payments by the Haitian Government in 1945-46. The new text is given below.

[For text omitted here, with slight changes in wording, signed at Port-au-Prince May 14, 1946, see Department of State, Treaties and Other International Acts Series No. 1521, or 60 Stat. (pt. 2) 1675.]

Very truly yours,

For the Secretary of State:
SPRUILL BRADEN

³⁶ Not printed.

³⁷ Letter dated October 1, not printed.

**AGREEMENT BETWEEN THE UNITED STATES AND HAITI RESPECT-
ING COOPERATIVE RUBBER PLANTATION INVESTIGATIONS**

[For text of the agreement, effected by exchange of notes signed at Port-au-Prince December 29, 1944, and January 8, 1945, see Department of State Executive Agreement Series No. 462, or 59 Stat. (pt. 2) 1458.]

HONDURAS

DISCUSSIONS REGARDING MILITARY COOPERATION BETWEEN THE UNITED STATES AND HONDURAS; AGREEMENT FOR A MILITARY MISSION

[Documentation on these subjects is filed in the Department under 800.24 and 810.20 Defense. For agreement between the United States and Honduras, signed at Washington December 28, 1945, respecting a military mission, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1503, or 60 Stat. (pt. 2) 1470.]

TERMINATION OF THE AGREEMENT OF JULY 31, 1942, AS AMENDED APRIL 25, 1945, BETWEEN THE RUBBER RESERVE COMPANY AND HONDURAS GRANTING THE COMPANY EXCLUSIVE PURCHASING RIGHT TO ALL OF HONDURAS' EXPORTABLE RUBBER

[Note No. 839, November 8, 1945, from the Honduran Minister for Foreign Affairs to the Ambassador in Honduras, quoted text of Honduran Decree No. 972 of November 7, cancelling the rubber purchase agreement. In his reply, Note No. 403, November 20, the Ambassador advised the Foreign Minister of the Rubber Development Corporation's approval of the cancellation on November 15, 1945. Both notes were transmitted to the Department in despatch 2146, January 16, 1946, from Tegucigalpa (none printed). For documentation on the conclusion of the Agreement of July 31, 1942, see *Foreign Relations*, 1942, volume VI, pages 478-479.]

MEXICO

MILITARY COOPERATION BETWEEN THE UNITED STATES AND MEXICO¹

740.0011 E.W./1-445

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

[Extracts]

No. 22,308

México, D. F., January 4, 1945.

[Received January 9.]

SIR: I have the honor to refer to secret correspondence with the Department with regard to the Mexican Squadron 201 now in training in the United States, and which is destined for a war theatre. . . .

Under date of January 2 the Military Attaché of the Embassy, General Harris, received a telegram from the War Department to the effect that General MacArthur has replied to the inquiry which was addressed to him respecting the Mexican squadron. General MacArthur replied that he would be pleased to have this Mexican squadron assigned to his command. The War Department informs the Military Attaché, General Harris, in this telegram that the necessary arrangements are now being made for the sending of the Mexican squadron to the Pacific theatre. The telegram further states that so far as now can be foreseen, general plans are being made for the Mexican squadron to be ready to leave the United States about March 15 for the Pacific theatre.

I conveyed this information to the Minister of Foreign Relations, Dr. Padilla, yesterday, who expressed his great gratification at this action of our Government, which he said would cause the greatest satisfaction to the President of Mexico.²

Respectfully yours,

GEORGE S. MESSERSMITH

¹ For previous documentation regarding the establishment of the Mexican Air Force Squadron, see *Foreign Relations*, 1944, vol. VII, p. 1182 ff.

² Manuel Avila Camacho.

810.20 Defense/4-545

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

[Extracts]

No. 23,800

MÉXICO, D. F., April 5, 1945.

[Received April 9.]

SIR: I have the honor to refer to my despatch No. 23,542 of March 20,³ in which I made a preliminary report on the opening of the staff conversations between representatives of the Armed Forces of the United States and of Mexico in Mexico City. In this despatch I indicated that the conversations were opening auspiciously and promised to have fruitful results.

I now have much pleasure in informing the Department that there is in the opinion of this Embassy no question but what these conversations proved to be most fruitful and most helpful in every way, achieved the purpose for which they were intended, paved the way for further and even more intimate collaboration between the Armed Forces of the two countries, and without any question created a spirit of increased mutual confidence and respect.

There is transmitted herewith a copy of the report giving the conclusions reached during the meeting and which report, as it will be noted, is signed by the three principal representatives of the Armed Forces of both countries participating in the meeting.⁴ A reading of the report will be the best evidence of the spirit in which the conversations were conducted and of the results achieved. Before commenting on several phases of the report I wish to make the following general comment.

I will enter into only a brief discussion of various phases of the final report, hereto appended.

1. It is significant and encouraging to note that there was full agreement between the American and Mexican officers on the great strategic importance of Mexico in the defense of the Western Hemisphere. In this connection we need only bear in mind the preoccupations which we had in the first phase of the present war when the attitude of Mexico was still an unknown factor. We know what the definite plans of both Germany and Japan were with respect to possible landings in Mexico and the use of Mexico as a base of attack or at the least a disturbing fact to us. The importance of having Mexico friendly,

³ Not printed.

⁴ "Final Report of the Delegates Conducting the Joint Staff Talks between Mexico and the United States," not printed, signed by Mexican delegates Maj. Gen. Francisco Castillo Nájera, Vice Adm. Mario Rodríguez Malpica, and Lt. Col. Luis Viñals Carsi, and by United States delegates Vice Adm. Alfred W. Johnson, Maj. Gen. Guy V. Henry, and Col. Charles H. Deerwester.

collaborative and militarily adequately strong is one of the lessons which we have learned from this war. In view of the fact that Mexico will increase in importance because of her industrial and agricultural development and, I believe, in increasing internal stability, will make her in any future war an even more definite objective for our enemies. (Page 1.)

2. Emphasis is also placed on the long coastline of Mexico—longer than that of any Republic in the Western Hemisphere—and the significance of this from a military and defense point of view. (Page 1.)

3. Special attention is directed towards the section on pages 2 and 3 of the report entitled “Finances” which shows a thorough understanding of the Mexican position. Our officers participating in the conversations wisely and properly took the attitude that we should not make any suggestions in the military or naval field to Mexico which go beyond the expenditures in the present Mexican budget. Consideration will be given to this point later in this despatch.

4. On page 2 it will be noted that “Mexico is prepared to assume any international obligations which may be agreed upon at the coming San Francisco Conference”.⁵

5. I would draw the Department’s special attention to the reference on page 3 of the report to the artillery ammunition plant which is being constructed under Lend-Lease in Mexico. It is noted that the American and Mexican delegates were unanimously of the opinion that it is highly desirable for the Mexican Government to have these establishments⁶ mentioned in this section of the report under reference, both from the point of view of their own national defense as well as that of the Hemisphere. This is an important point and I wish to emphasize that it is our understanding of this particular factor that contributed so much towards making the conversations a success. From a military point of view it was recognized by both the participants of Mexico and the United States that it would be highly imprudent for Mexico to be totally dependent upon the United States for the supply of munitions in the event of a major war threatening the integrity of the Western Hemisphere, or to depend upon a possible fluctuating financial policy of the United States Government with respect to war materials for their normal peacetime requirements. From a psychological and relationships point of view it was equally important that our participants in the conversations should recognize the importance

⁵ United Nations Conference on International Organization, April 25–June 26, 1945; for documentation concerning this Conference, see vol. I, pp. 1 ff.

⁶ The Mexican Government’s small high explosive plant was also mentioned in this section of the report, together with its request through the Joint Mexican–United States Defense Commission for machinery and equipment from the United States needed for the construction of a smokeless powder plant and a small arms manufacturing plant of sufficient capacity for peacetime requirements.

of our continuing to aid Mexico in the establishment and maintenance of the plants mentioned on pages 2 and 3 of the report.

6. I wish to bring the Department's special attention also to that paragraph on page 3 of the report setting forth the visit of the United States Army delegates to Military Camp No. 1 in the vicinity of Mexico City. Their comments with regard to the good use being made by the Mexican Armed Forces of the military equipment which has been furnished by our Government under Lend-Lease are significant. This comment is only in line with the comment which has been made as a result of observations by some of the highest ranking officers of our Army who have been in Mexico during the last three years and who have seen the use made of the Lend-Lease equipment. I can add to this my own personal testimony for I have seen Lend-Lease equipment of a military character in use all over Mexico at Army posts. I have seen no place where Lend-Lease equipment has been misused and not kept in good condition. I believe the record will show that in no country of the other American Republics has Lend-Lease equipment been used more effectively and been kept in better condition than in Mexico.

7. The comment with respect to the Mexican Air Force on pages 3, 4, 5 and 6 of the report is particularly interesting.

The conversations with respect to the Air Force presented particular difficulties. It is undoubtedly a source of some disappointment to our own Air Force that the Mexican Government is not in a position to maintain a larger and more effective air force in peace. On this point, however, the President of Mexico has very definite views which are based on economic, financial and social considerations, as well as on purely military considerations. He is of the opinion, and a very considerable number of the Mexican military are in agreement with him, that it will be impossible for Mexico to maintain any considerable Air Force in peace. The cost of such an Air Force of any real strength would be beyond the financial capacity of Mexico. The President is of the opinion that although changes and improvements in military planes may not make as rapid strides after the war as they have during the war, he is very definitely convinced that any material which the Mexican Air Force would acquire would rapidly be outmoded and relatively useless either for training or combat purposes. He is therefore of the opinion that so far as air protection is concerned, Mexico must depend for the foreseeable future upon the United States, which is the only country in this Hemisphere which can bear the burden of a large and developing and up-to-date Air Force.

On the other hand, the President is of the opinion that a minimum Air Force must be maintained but the circumstances are such that for the present year he wishes the budget to be kept within the relatively

small amount allocated to the Air Force. It is probable that for the next four or five years the amount of money which will be available to the Mexican Air Force will not be much larger. The demands upon the Mexican Government for its social, industrial, agricultural and sanitation program, as well as its educational program, will be such that no government could safely divert a considerable part of the national revenues from these purposes for an Air Force.

Our participants in these conversations have been thoroughly understanding of the attitude of the Mexican Government and it is my opinion that the arrangements which have been worked out are particularly happy and satisfactory. Both the Mexican and American group participating in the Air Force conversations showed a full desire to arrive at the maximum use of the money available to the Mexican Government. In this connection I would particularly call attention to paragraph b. under "Conclusions" on page 6 of the appended report, which reads "To organize its Air Forces on standard United States Tables of Organization". I would also call attention on page 8 of the report to paragraph D. which reads, "That in view of the highly specialized technical nature of an air program, the Mexican and United States Governments appoint a joint advisory technical group to assist in attaining the maximum success in the development of the program, in the most economical manner and in the shortest period of time. This joint technical group should be charged with the responsibility of recommending lay-outs of facilities, training programs, the supply and maintenance systems and assisting in expediting all action in connection with these matters, both in the United States and in Mexico".

In view of the Mexican reluctance to accept any military missions and of the fact that it has not in the past accepted any military missions from any country, and in view of the fact that this reluctance and attitude remain the same, it is particularly important, and characteristic of the cooperative attitude shown, that agreement should have been reached between the staff officers in these informal conversations for the designation and the acceptance of a joint advisory technical air group. I am frank to say that this is one of the results of the meeting which I very much hoped for but which I did not believe we would be able to get.

8. With respect to the section on the Navy, beginning on page 5, I wish to make the following comment. The Mexican Navy has had a secondary place in the Mexican defense and military picture. It will probably continue to hold a secondary place over a number of years. This is due entirely to internal considerations in Mexico. The Army has been and will remain in a considerable measure an internal police force. For impelling reasons within Mexico the Army is able to command fiscal support which the Navy cannot get. This attitude may be

from the military point of view completely out of perspective but it is a factor with which we have to deal and which cannot be changed for the present. The long coastline of Mexico which, as has already been indicated, is longer than that of any other American country, would seem to call for a considerable Naval establishment.

It is my considered opinion that it will be many years before Mexico can be able to support any considerable Naval establishment. Any efforts on our part to stimulate any increase of a considerable character in the Naval establishment of Mexico would, I believe, be unwise.

In the conversations which I have had with the President of Mexico on the question of military collaboration in peace as well as in war the President has always emphasized the importance of Mexico maintaining a reasonable but well equipped, well disciplined and effective Army. He says that this is a primary obligation on the part of Mexico as well as the most effective contribution which it can make to Hemisphere defense. So far as the Air Force and the Navy are concerned, the attitude of the President is that the maintenance of a Navy which would have any significance whatever, and the maintenance of an Air Force of adequate character, are both out of question in view of the meager financial resources of Mexico. It is his opinion therefore that so far as Navy defense and Air defense are concerned, Mexico will have to depend very largely on the United States as the only American power capable of maintaining an adequate and effective Navy and Air Force.

The President has in mind that Mexico should make her proper contribution under any security arrangements which are provided for under the Dumbarton Oaks plan⁷ as it now stands or may be revised. He believes, however, that Mexico's contribution must be principally in the military field and that for years to come for Hemisphere defense purposes the Americas will have to depend on the United States Navy and Air Force. I must say that from my observation of the problem I believe that the President's reasoning is sound and I believe it is a reasoning which is accepted by our own military and naval and air force authorities.

I am in complete accord with the recommendations set forth with respect to Naval equipment made in the appended report and it is my hope that our Government will be able to furnish the Naval equipment which has been indicated.

I will not make specific reference to the conclusions and recommendations because they will bear careful reading by the Department

⁷ For documentation concerning the Washington Conversations on International Organization at Dumbarton Oaks, Washington, D.C., August 21-September 28, 1944, and September 29-October 9, 1944, see *Foreign Relations*, 1944, vol. I, p. 713 ff.

and I only wish to say that I am in complete agreement with the conclusions and recommendations contained in the joint report. I think that they are completely sound and that it is in our interest that they be carried through.

I wish to make the following specific comment with reference to paragraph C. on page 7 under "Recommendations", which reads, "That the United States furnish on terms to be mutually agreed upon the necessary machinery and equipment for one (1) smokeless powder plant as originally requested through the Joint Mexican-United States Defense Commission. Also one (1) small arms manufacturing plant as per modified request submitted through same channels". This is a joint recommendation of the Mexican-American participants in the conversations. I agree in the recommendation of the American participants that these small peace-time capacity plants are of vital concern to the Mexican Government. Mexico now has a small high explosive plant. It is being supplied under Lend-Lease with equipment for a small artillery ammunition projectile plant. Mexico also makes its own peace-time requirements of small arms ammunition. The smokeless powder plant is needed to round out these installations. Mexico has for some years made its own small arms and desires to continue along United States lines and to do its own maintenance small arms work. It is, I believe, of primary interest to us from the point of view of long-range policy to carry through the recommendations made in the report in this respect and of the definite necessity for which recommendations our own participants are completely convinced. From the point of view of policy I can only support in the strongest manner the recommendations made in the report in this respect.

I would like to indicate that the only point of difficulty in the conversations was the reluctance of the Mexican participants to indicate specifically the military material, whether for the Ground Forces, Naval Forces or Air Forces, which they deemed necessary. Their reluctance in this respect was entirely based on the question of cost. From the point of view of our participants it was absolutely necessary for us to know what this minimum quantity of material which Mexico needed or desired was. It was finally agreed upon that this material should be incorporated in a confidential memorandum to be submitted to the American participants but would not form a part of the report itself. This confidential memorandum has been furnished to the American participants and is in their possession.

It is characteristic that in this confidential memorandum indicating their prospective needs for peace purposes the Mexican Government has been as modest as it has in its requests for military material during the war. The Mexican Government has in mind that all this material

will have to be paid for and it has to keep in mind the financial possibilities of the Mexican Government. No matter what the Mexican Government may wish to do in the equipping of its Ground, Air and Naval Forces, it has to keep definitely in mind these financial considerations.

I think this is one of the most important factors we have to consider in connection with postwar defense plans in the Americas. Practically all of the other American Republics are in the same position financially as is Mexico. There are pressing internal needs in these developing countries which must be met. Their tax resources are limited. It will take years until their economies are able to bear the cost of increased military establishments. I am one of those who hope that the world security arrangements which will be arrived at at San Francisco will be sufficient and adequate in every respect in order to make large military establishments by small countries unnecessary and in a measure reduce the burden of military establishments on the major powers. I, however, have no illusions in this respect. I am one of those who believe that the best insurance against future wars is the maintenance of a strong military establishment by the United States, both with respect to Ground Forces, Naval Forces and Air Forces. The principal burden of the defense of this Hemisphere will have to fall on us for years to come. In order to maintain the self-respect and the dignity and through that to assure the collaboration of the other American Republics with us in any defense measures for this Hemisphere, it will be necessary for us in time of peace as it has been in war to supply certain military equipment to the other American Republics in the measure it may be found that it is needed and desirable at a minimum or practically no cost.

At present these countries are uncertain as to what our policy will be under Lend-Lease.⁸ They are uncertain as to what degree they will be called upon to fulfill their obligations under existing Lend-Lease agreements. They are uncertain as to what our policy will be with respect to future military equipment.

The conversations with Mexico have shown that this country is prepared to model its Ground, Air and Naval Forces on the lines of our own Army and Navy and Air Force. This is a great step forward. It is so great a step forward that we could not have conceived it as possible a few years ago. I think we must meet this situation by showing an adequate attitude with respect to the furnishing of the military material which may be needed by these countries. For the period immediately following the war there will be available to us so much in the way of equipment for Ground, Air and Naval Forces,

⁸ For policy matters concerning the settlement of financial obligations and the termination of armament distribution under Lend-Lease in 1945, see pp. 231 ff.

which is surplus, that it is a question whether we wish to supply it in proper quantities to our friends in the other American Republics without cost, or permit it to deteriorate or destroy it or reconvert it in the United States. While we do not wish to follow a policy of furnishing second-rate equipment to our neighbors in the other American Republics and I think any such policy would be disastrous and have very serious consequences for us because of the pride which these countries are acquiring in their own forces, I nevertheless believe that a policy of furnishing material at practically no cost whatever to the Ground, Naval and Air Forces for the next four or five years to these countries would involve no real cost to us.

For this reason I believe that a revision of existing Lend-Lease legislation must be made in our own interest so far as the countries of this Hemisphere are concerned. The burden which present Lend-Lease arrangements place on the other American countries is too great. Their financial and economic structure is simply not able to bear it. If we wish to maintain this collaborative, military and defense structure in the Western Hemisphere, which I consider absolutely essential in our own interest, it is absolutely necessary to furnish material to these countries at practically no cost whatever.

If the conversations which have just been carried through with Mexico are in any way indicative of the character of the conversations which will be held with other countries in this Hemisphere, it will be found that the requests will be reasonable.

I go further and wish to express the opinion that we should relieve the countries of this Hemisphere from their obligations for Lend-Lease payments for military material already received. Most of these countries will not be able to bear the charge on their budgets which these payments involve. For the Governments of these countries to make these payments will in the peace period cause discontent which there is no purpose in arousing. All the Lend-Lease material which has been furnished to the American Republics has been military material. I am one of those who believe that it is decidedly in our interest to cancel Lend-Lease obligations already existing and to furnish for the next four or five years any military material which it may be deemed advisable to furnish at a purely nominal cost. It is my very sincere hope that in the interest of our own country that considerations of this character will be borne in mind in legislative programs which may be proposed to the Congress.

I am not aware of the secret plans of our Military, Naval and Air authorities for the postwar period. I am convinced, however, that their plans must take into account and do take into account that wars have not ceased and that future wars may take place no matter what security arrangements may be arrived at. I am sure their plans take

into account that so far as the United States is concerned, its defense is not only a world problem but primarily a Hemisphere problem.

For this reason I think that our Government is wise and farseeing in carrying through these staff conversations, such as those which have just been concluded so satisfactorily in Mexico. Through them defense measures with respect to this Hemisphere can be consolidated and such defense measures should be consolidated and consummated as rapidly as may be possible irrespective of any general plans for the prevention of war. The circumstances are such that any such arrangements for our defense place a financial burden on us as long as the economies of the other American Republics are relatively weak. It will be, no matter what the cost may be, the safest investment which we can make for our defense and security.

I wish to close this despatch by stating that I believe that the American officers who participated in these staff conversations being reported upon have performed a real service for our country. The fact that the conversations from the Mexican point of view were so satisfactory is due to the wise and sound policies of the President of Mexico who, I know, gave specific directives with respect to the attitude to be taken by the Mexican participants in the conversations. Such collaboration as that which we have established is a very precious thing, which it largely depends upon us to know how to conserve and consolidate.

I am retaining in this Embassy the signed copy of the joint final report which was furnished me by the American participants, as well as the reports of the plenary sessions. I am sending herewith copies only of the joint final report.⁹ If the Department desires copies of the memoranda covering the plenary sessions, I am sure that they will be made available to the Department by Admiral Johnson and General Henry. I may say that very full memoranda were also kept of all of the numerous meetings of the committees, copies of the memoranda of these committee meetings were not furnished the Embassy and are not necessary for our purpose. To all intents and purposes the joint final report, of which a copy is appended hereto, is I believe sufficient for the Department.

It is respectfully requested that a copy of this despatch be furnished to Admiral Johnson, General Henry and General Adler, who represented the respective branches of the Armed Forces of our country in these conversations.

Respectfully yours,

GEORGE S. MESSERSMITH

⁹ Not printed.

812.24/9-1445

*Memorandum by the Director of the Office of American Republic
Affairs (Warren) to the Acting Secretary of State*

[WASHINGTON,] September 14, 1945.

MEXICO AND HER LEND LEASE DEBTS TO THE UNITED STATES

As you will see by the attached memorandum of conversation,¹⁰ Ambassador Castillo Nájera on September 13 indicated that it had been his understanding, from conversations with President Roosevelt and Under Secretary Sumner Welles, that Mexico might not be required to repay her lend lease obligations to this country. As this comment was made by the Ambassador in a conversation with a junior officer of the Department,¹¹ it may be that he was simply launching a trial balloon. On the other hand, I wonder if he said anything to you along these lines.¹²

A. M. WARREN

812.24/10-1245

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

No. 26,904

MÉXICO, D. F., October 12, 1945.

[Received October 22.]

SIR: I have the honor to inform the Department that I had a conversation with the Minister of Foreign Relations of Mexico, Dr. Castillo Nájera,¹³ during the course of which he raised the question of Lend-Lease obligations of Mexico and the general question of Hemisphere security and defense. The character of the conversation, or rather the observations of the Minister, make it desirable for me to report rather fully on this matter and at the outset to give certain background.

With reference to Mexico it will be recalled that there have been two Lend-Lease Agreements; the original Agreement¹⁴ which is on the same line as that of the Lend-Lease Agreements with the other American Republics, and a supplementary Agreement which augmented the total of Lend-Lease to be made available to Mexico so

¹⁰ Memorandum by John W. Carrigan, Chief of the Division of Mexican Affairs, of a conversation with Ambassador Castillo Nájera on September 13, not printed.

¹¹ J. W. Carrigan.

¹² Acting Secretary Dean Acheson wrote in the margin of this memo: "I was familiar with this at the time & never heard of such a suggestion. If you have not I think we ought to put it to rest." Also in the margin, Assistant Secretary William L. Clayton wrote: "I never heard of it before," and Emilio G. Collado, Director of the Office of Financial and Development Policy, wrote: "I never heard of this and was handling it at the time."

¹³ Francisco Castillo Nájera, former Ambassador to the United States.

¹⁴ Signed March 27, 1942, *Foreign Relations*, 1942, vol. VI, p. 485.

that the total deliveries could amount to \$40,000,000 or \$41,000,000.¹⁶ I do not have the Agreements available and can therefore not give the specific sum but it was one of the two just mentioned. Under the Lend-Lease Agreements with Mexico, according to the latest note transmitted by the Department to the Mexican Ambassador in Washington, under date of August 30,¹⁷ the total deliveries by the War Department have amounted to \$22,112,101.12 and by the Navy Department to \$2,763,370.91, a total of \$24,875,472.03. My information is to the effect that up to the present time Mexico has made no payment on these deliveries and technically under certain interpretations of the Lend-Lease Agreement may be considered as in arrears. In the last note of the Department, dated August 30, to the Mexican Ambassador in Washington, it was requested that a check be transmitted in the amount of \$4,400,000 as the payment due and in arrears.

In this connection it may be noted that under one interpretation of the Lend-Lease Agreement Mexico could not be considered as in default even though she has not made any annual payments to date. Under this interpretation of the Lend-Lease Agreement Mexico would not be in default unless it fails to liquidate its entire obligation on the last date specified for payment, which is January 1, 1949. This interpretation of the Lend-Lease Agreement is not uniform in the Department but I believe it is justified if we take into account the clear intent of the original documents that payments are to be spread over a period of six years.

I am not able to determine as I do not have a breakdown of the figures available whether the above-mentioned sum of \$24,875,472.03 includes deliveries to the Mexican Government of equipment for the Mexican Squadron 201, which participated in the Pacific theatre of the war. In this connection I would refer to correspondence with the Department and particularly to my despatch No. 24,214 of April 28, 1945,¹⁷ in which I made it clear that when the arrangements were made for the training and eventual participation in combat of this Squadron that the Mexican Government had been given the definite impression that the cost of maintenance of the men would be chargeable to the Mexican Government as well as the initial equipment but that replace equipment would not be charged to the Mexican Government. The War Department has since taken a completely different attitude on this matter and in the Department's secret instruction No. 7776 of August 3, 1945,¹⁸ acknowledging my despatch No. 24,214 of April 28 and other correspondence regarding the cost of maintenance

¹⁶ Supplementary agreement and exchange of notes signed March 18, 1943, authorizing total deliveries of \$40,000,000, *Foreign Relations*, 1943, vol. vi, pp. 396-402.

¹⁷ Not printed.

of Mexican Squadron 201, I am informed that the War Department in a memorandum, dated July 27, 1945,¹⁸ addressed to the Department of State takes the attitude "it is the opinion of the War Department that the cost of maintenance and replacements must be borne under the terms prescribed by the Agreement between the Mexican Government and the War Department".¹⁹ There is no doubt that under the terms of the Agreement as signed by the Mexican Government it has to pay for replacement equipment for the Squadron as well as initial equipment but in this connection the appropriate parts of my despatch No. 24,214 of April 28, 1945 must be borne in mind as they are a loyal and completely correct account of what actually happened in connection with this matter. When the Mexican Government signed the actual Agreement for the equipment of Squadron 201 it knew that the Agreement provided for the payment of replacement equipment as well as original equipment but in order not to delay the going forward of the Squadron it signed the Agreement but it was depending upon our good faith in maintaining the understandings originally entered into between the two Governments with respect to this matter. It is correct that these understandings were oral but the statements were made by responsible officers of our Government and no statements were made by this Embassy except on the authority of responsible officers of the War Department.

[Here follow comments on the program of Lend-Lease aid to the American Republics in general and the recommendation that the entire cost of such aid be borne by the United States.]

Yesterday afternoon while talking with the Minister of Foreign Relations of Mexico, Dr. Castillo Nájera, about the staff conversations held with Mexico some months past and which were most productive, and with respect to the defense arrangement now contemplated between the American Republics,²⁰ and with specific respect to the implementation of the staff conversations by the United States and the other American countries, he referred to the measure which is shortly to be introduced into the Mexican Congress and on the basis of which the Mexican Army will be entirely reorganized along the lines of our own and provision made for its equipment with the same types of material as our own. The Minister went on to say that the revenues of the Mexican Government were decreasing and that certain programs of a social character which the Mexican Government had to go on with were increasingly costly. He said that the cost of

¹⁸ Not printed.

¹⁹ Memorandum of Agreement signed January 12, 1945, in Mexico City by Ambassador to the United States Castillo Nájera.

²⁰ The Ambassador was presumably referring here to the prospective Inter-American Conference for the Maintenance of Continental Peace and Security, postponed in 1945 and held between August 15 and September 2, 1947, at Quitandinha, Brazil.

the Army with the best management was increasing and this not taking into account much in the way of equipment. He said that the present burden of the military establishment was already very great. It would be greater. They would have to keep it as small as possible. On the other hand, Mexico wished to collaborate fully in all defense arrangements among the American states as well as to play her part with the other American states in a United Nations security system.

He then went on to say that the Mexican Government had received several notes from our Government with regard to arrears in Lend-Lease payments. He said that the Mexican Government was not in a position to pay at this time without failing to pay other obligations which it believed were more important. He said that the Mexican Government did not wish to be in default on any payment. He said that the Mexican Government would pay for such Lend-Lease deliveries if our Government would eventually determine that such payments would have to be made.

Then he went on to say that when the original agreement for Lend-Lease with Mexico was entered into he had had a conversation with then President Roosevelt. The Minister said that as Mexican Ambassador in Washington he had called the attention of the President to the fact that it might be difficult for Mexico to meet these installments. President Roosevelt had indicated that in his opinion the Ambassador should not be disturbed about this as it was not the intention of the United States Government to call upon the American Republics for such payments, anymore than it would ask the European and Far Eastern Allies to make such payments.

The Minister also went on to say that when Mexico signed the supplementary Lend-Lease agreement, he discussed this matter with then Under Secretary Welles. He said that our Government was willing at the time to fix the amount in the Mexican agreement at \$70,000,000. The Minister said that he had informed Mr. Welles that his Government thought deliveries to the amount of \$40,000,000 would be adequate during the period of the war. Mr. Welles at the time observed that he did not think it made any difference whether the amount was fixed at \$70,000,000 or \$40,000,000 as the Mexican Government would not have to pay back any of this amount which might be made in the way of deliveries.

The Minister went on to say that unfortunately there was probably no memorandum of these conversations in the Department but they were as fresh in his memory as though it had been yesterday.

The Minister said that he had just discussed this question of the notes that the Mexican Government had received from us with regard to arrears under Lend-Lease payments and that the President had

said that it was naturally the desire of the Mexican Government to meet all of the obligations which it had incurred and that during his administration it had been most meticulous in meeting such obligations. He was sure that Mexico would meet this obligation if our Government so desired but that he was also sure that our Government was understanding of the financial situation of Mexico and was much more interested in Mexico meeting its obligations under the Agrarian Claims Settlements ²¹ and the Petroleum Settlement ²² than under Lend-Lease. The Minister did not say that the President had expressed the belief that we would eventually cancel these Lend-Lease obligations but in view of what the Minister said to me, there was no doubt that he had said the same to the President and that the basic reason for Mexico not having made any payment in any amount is her belief that she should not be called upon for such payment and that the American Republics will eventually be relieved of such payment. The Minister, however, was specific in adding that if our Government would eventually insist on payment that Mexico would pay. I might add in this connection that there is no reason to doubt this statement as the Mexican Government has been most meticulous in meeting its financial obligations in recent years.

It is my definite opinion that those of the American Governments which have paid any substantial sum under Lend-Lease are of the opinion that these sums will be in due course refunded to them. I know it to be a fact that the American Republics consider that the treatment which we have accorded to our Allies in Europe is more favorable than that which we have accorded to them and in fact discriminatory. I think it need not be added that this forms very unfavorable background for those defense arrangements which we know and which the American Republics know are necessary for American security and defense.

²¹ Agreement for the Settlement of Claims for the Expropriation of Agricultural Lands, effected by exchange of notes at Washington and Mexico City November 9 and 12, 1938, and April 17 and 18, 1939; for text of exchange of notes of November 9 and 12, 1938, and documentation relating to it, see *Foreign Relations*, 1938, vol. v, pp. 657 ff.; for text of exchange of notes of April 17 and 18, 1939, see Executive Agreement Series No. 158, or 53 Stat. (pt. 3) 2442. See also Claims Convention between the United States and Mexico, signed at Washington November 19, 1941, Department of State Treaty Series No. 980, or 56 Stat. (pt. 2) 1347; for documentation relating to this agreement, see *Foreign Relations*, 1941, vol. vii, pp. 395-397.

²² Agreement between the United States and Mexico respecting expropriation of petroleum properties, effected by exchange of notes signed at Washington November 19, 1941, Department of State Executive Agreement Series No. 234 or 55 Stat. (pt. 2) 1554; for documentation relating to this agreement, see *Foreign Relations*, 1941, vol. vii, pp. 371 ff., *passim*. For further agreement on payment for expropriated petroleum properties, effected by exchange of notes signed at Washington September 25 and 29, 1943, and joint report, see Department of State Executive Agreement Series No. 419, or 58 Stat. (pt. 2) 1408; for documentation relating to this agreement, see *Foreign Relations*, 1943, vol. vi, pp. 585 ff.

In my opinion we should give careful consideration among the highest officers of our Government to the following considerations.

1. Establish it as a principle that the closest inter-American defense arrangements properly implemented are the keystone of our own security and that of the security of this Hemisphere.

2. That we proceed to fulfill certain definite commitments under Lend-Lease, particularly with Mexico and Brazil to which I called attention in a memorandum now in the Department²³ and the deliveries under which would not amount to more than \$3,000,000. I believe that the fulfillment of these definite commitments is necessary as a matter of good faith and as a basis for proper defense arrangements among the American states.

3. That we proceed vigorously with the negotiation of the multi-lateral defense agreement contemplated in the Acts [*Act*] of Chapultepec²⁴ and if the other American Republics show a desire, formalize this in a meeting to be held later at Rio de Janeiro.

4. That we proceed with the completion of the preparation of the legislation of an adequate character for the implementation of the staff conversations as this is basic in any defense arrangements and then see that this legislation is properly presented and pressed through the Congress where I believe it will find a favorable reception if adequately presented.

5. Begin consideration in the highest policy levels of our Government of the cancelling of all Lend-Lease obligations of the American Republics as a matter of equity and nondiscriminatory treatment and as a necessary basis for the adequate atmosphere for defense arrangements of a lasting character among the American Republics. This will involve the reimbursement in one form or another of certain payments already made by some of the American Republics.

This is a long and somewhat disjointed despatch but I consider that the matter presented is one of the most vital before our Government today. There can be no adequate defense arrangements among the American Republics without the proper political and economic background and the political and economic arrangements are inadequate unless they are supplemented by appropriate and adequate defense arrangements. In the world in which we live and with the leadership which has been thrust upon us we must face these near and long range issues boldly and frankly and we must recognize, in my opinion, as I believe public opinion in the United States recognizes, that the cornerstone of our security and defense lies in this Hemisphere and in the closest collaboration in all fields between the countries of this Hemisphere; and that our usefulness in the world picture and our capacity to carry through our leadership, which has been imposed upon us in the world picture, depends upon our power which in turn depends upon

²³ Memorandum dated September 28, 1945, not printed.

²⁴ Agreement between the United States and other American Republics, contained in the Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City March 8, 1945; for text, see Department of State Treaties and Other International Acts Series No. 1543, or 60 Stat. (pt. 2) 1831; for documentation relative to the Chapultepec Conference, see *ante*, pp. 1 ff.

our presenting in a single front all of the American Republics. The other great powers with which we associated realize their respective situations and are taking the necessary steps in the most realistic way in order to implement their situation. The only hope of peace lies in our acting with equal realism and understanding.

Respectfully yours,

GEORGE S. MESSERSMITH

810.20 Defense/10-2145

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

[Extracts]

No. 26,950

MÉXICO, D. F., October 21, 1945.

[Received October 25.]

SIR: I have the honor to refer to my secret despatches No. 25,338 of July 12, 1945, No. 25,470 of July 19, 1945, and No. 25,896 of August 15, 1945,²⁵ all with reference to the desire of our Government to proceed with the setting up and functioning of the Joint Mexican-United States Technical Advisory Committee of aviation experts provided for in the recent Staff Conversations between our military and the Mexican military authorities. . . .

In the final report of the Joint Staff Conversations between Mexico and the United States held in Mexico City in March, 1945, above referred to, the Mexican and the United States delegates, keeping in mind some of these matters above referred to, recommended in their joint report that "in view of the highly specialized technical nature of the contemplated air program for Mexico, the two governments appoint a Joint Advisory Technical Group to assist in obtaining maximum success in the development of the program in the most economical manner and in the shortest period of time. This Joint Technical Group to be charged with the responsibility of recommending layouts of facilities, training programs, the supply and maintenance systems and assisting in expediting all action in connection with these matters, both in the United States and in Mexico".

It was recognized in this paragraph of the joint report of the Staff Conversations and in the joint recommendations that it would take some time for the two governments to carry through certain implementing legislation. In view of the desirability of proceeding with a sound air program as rapidly as possible, it was recommended and agreed to by the Mexican and United States members participating in the Staff Conversations that a Joint Technical Advisory Group of aviation experts and technicians be set up as soon as possible.

²⁵ None printed.

As soon as I had taken these exploratory steps, I had a conversation with President Avila Camacho on October 18, 1945, and I went fully into this matter of the joint committee. I said that I fully understood the reason why he had not been prepared to have the committee set up and wished to delay somewhat longer. I said that it was not imperative for defense purposes between the United States and Mexico and in the inter-American picture that the joint committee should be set up at once. I explained to him, however, our difficulties with regard to the delivery of material, as lend-lease was no longer operative. I said to the President that it was the opinion of our military concerned that if the committee were set up with two Mexican and two United States members, it would be possible for it, under existing law and authority vested in the War Department, to transfer certain air equipment to the United States members of the joint committee, who after such use thereof as they saw fit, could channel it and deliver it to the Mexican members and to the Mexican Air Force at no cost, or practically no cost. I said that this was the only way in which we saw that we could make certain deliveries of air equipment to Mexico while such equipment was still available, without charging sums which the Mexican budget could not bear, and until both Congresses had passed legislation implementing the Staff Conversations and defense arrangements between the American Republics.

The President said that he appreciated the situation fully, and said that under these conditions he thought he could agree to the immediate setting up of the joint committee. He asked me if I had given a memorandum on the subject to the Minister of Foreign Relations. I said that I had not mentioned the matter to him. He said that if I would give the Minister of Foreign Relations a memorandum along the lines of my conversation, he thought he could authorize the setting up of the joint committee without delay.

I may say that in discussing this matter with the President, the President spoke for at least half an hour of the necessity for certain defense arrangements among the American Republics, and that Mexico could be depended upon in every respect to participate in such defense arrangements and without reserves. As the remarks which he made were those of an enlightened statesman understanding the world situation and all its implications and indicated as well his deep devotion to the consolidating of the relationships with the United States, as well as his consecration to the ideals of inter-American collaboration, I shall not burden this despatch with these remarks, but will make them the subject of a separate despatch ²⁶ because of the importance of the statements made by the President, which, I may say, I believe also

²⁶ Despatch 26,956, October 22, not printed.

represent the ideas of the overwhelming part of the Mexican Army officials.

In view of the fact that my conversations, referred to in this despatch, with General Henry were of an informal character, I do not feel that I am in a position to present a memorandum to the Minister of Foreign Relations without the authority of the Department and of the War Department. One of the basic considerations in the relationship between states is that commitments, whether oral or written, must be scrupulously kept. I do not wish, therefore, to state that with the setting up of the committee, certain surplus air material in the United States may be made available through this channel at no cost, or practically no cost, to the Mexican Government, without authorization from the Department and the War Department. As the President is now expecting me to deliver such a memorandum to the Minister of Foreign Relations, I have prepared a draft of a memorandum which I could leave with the Foreign Minister after a conversation on the lines of the memorandum. This draft is attached hereto. (Enclosure No. 2).²⁷

. . . I will not go into detail in this despatch and recite the particular types and numbers of aircraft involved together with spare parts, as all the appropriate data is in the files of the War Department. I need only say here that the quantity which Mexico has expressed a willingness to receive is considerably less than the quantity that our own air officials and military authorities would wish Mexico to acquire or to receive. I make mention of this matter of quantity only to make it clear that Mexico is not endeavoring to secure, either through purchase or at an altogether nominal sum, any considerable amount of military air material. She wishes to receive only the minimum that she can use and maintain.

I should like to emphasize that I should not be authorized to have this conversation with the Minister of Foreign Relations and leave with him the memorandum confirming such conversation (Enclosure No. 2) unless it is determined that with the establishment of the Joint Technical Advisory Committee we will be in a position to channel, under existing law and authority by the War Department, to the two United States members of the committee this air equipment, which can then be written off our books; and after appropriate use by the committee in Mexico, be turned over to the Mexican members of the committee and to the Mexican Air Force without cost. When I say without cost I mean this literally in the sense that we should not expect payment other than of a token character. The transfer of such equip-

²⁷ Not printed.

ment should be made, let us say, for a dollar a plane, or such token sum. . . .

I shall await further conversations with the Mexican Government and with the President and the Foreign Minister of Mexico on this matter until I may receive authorization to leave with the Minister of Foreign Relations a memorandum along the lines of that herewith submitted (Enclosure No. 2), and to discuss with him the matter on the basis that the immediate establishment of the Joint Committee will permit the delivery of certain air material at what would be equivalent to no cost.

The Department is aware of the continued and serious consideration which I have given to these matters of inter-American defense and collaboration in every field; and I wish to reiterate my conviction that we would be failing our people and not serving the cause of our country if we do not proceed with the immediate implementation of the Acts of Chapultepec and with such concrete action, such as this contemplated through the setting up now of the Joint Technical Advisory Committee with Mexico.

Respectfully yours,

GEORGE S. MESSERSMITH

810.20 Defense/10-2345

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

WASHINGTON, November 2, 1945.

MY DEAR MR. AMBASSADOR: I have received your letters of October 22 and October 23, 1945, and their enclosures, copies of despatches nos. 26,950 and 26,956,²⁸ with regard to your conversation with the President of Mexico on defense matters and the proposed Joint Mexican-United States Technical Advisory Committee. Your despatch no. 27,031²⁹ with further reference to this matter has also been received.

I am very glad to have your informative despatches and letters on this subject and we are taking them into consideration in our thorough study of this whole matter. The subject of the delivery to Governments of the American Republics of arms and ammunition, and most particularly combat aircraft, is one of serious concern to us. It is still unsettled but is to receive the consideration of my Staff Committee in the near future. Our plans with respect to this general subject,

²⁸ Letters not printed; the letter of October 22 transmitted a copy of despatch 26,950 (p. 1125) and requested that the Secretary ask Under Secretary Acheson to give his attention to the despatch so that high level Army and Department action could be taken on the requested instructions. The Ambassador's letter of October 23 transmitted a copy of his despatch 26,956 of October 22 (not printed), which covered a range of subjects including military matters.

²⁹ Not printed.

therefore, have to be held in abeyance until this study is completed and a formal reply to your despatches will necessarily have to be deferred, but in the meantime I wanted you to have this advance word.

With all best wishes,
Sincerely yours,

JAMES F. BYRNES

812.20/11-1445 : Telegram

President Truman to the President of Mexico (Avila Camacho)

WASHINGTON, November 14, 1945.

Upon the return to their native land of Squadron 201 of the Mexican Air Force it is my great pleasure to express to you and the Mexican people my sincere congratulations and appreciation, as well as those of the people of the United States, for the splendid conduct of these men in the Pacific Theater where they upheld the fine tradition of Mexican arms and of Mexico's historic stand with the principles of democracy.³⁰

HARRY S. TRUMAN

812.796/10-2545

The Under Secretary of State (Acheson) to the Administrator of the Surplus Property Administration (Symington)

WASHINGTON, November 27, 1945.

MY DEAR MR. SYMINGTON: For some time this Government has been interested in the Civil Pilot Training School at Puebla, Mexico, and we have heretofore made the necessary equipment available to the Mexican Government under Lend Lease. Through the Civil Aeronautics Administration this Government has also made available the services of three instructors without cost to the Mexican Government.

The work done by the school has, in the opinion of the Department, been of excellent character and inestimable value toward the strengthening of good relations and increasing understanding between the two nations. Both the Department and the Mexican Government are anxious to expand the school to include secondary advanced training of civilian pilots, and I believe such expansion would be distinctly to our advantage.

³⁰ The 201st Fighter Squadron arrived in the Philippines in May and, with a peak strength of 32 pilots, saw combat duty with the 5th Fighter Command of the 5th Air Force between June 1 and July 10. It flew a total of 50 missions and 293 sorties during this period. Under assignment to the 13th Air Force, it returned to the United States under orders dated October 19, 1945. Its casualties were listed at 4 killed, non-combat, and 1 missing. (812.20 Defense/8-345, 812.20/11-2145)

If the school is to continue its good work, it is vitally necessary that replacements and additional equipment be made available, and I very much hope that we will be able to find some means whereby this may be accomplished. In so doing I feel we should take into account the considerations and advantages which will result to the United States, and I cannot emphasize too greatly my feeling of the necessity for our Government to keep this project going in Mexico. The school affords us an opportunity to train civilian pilots in American technique and with American equipment. If we do not continue to do so, it is highly probable that some other government will take advantage of the opportunity.

The aircraft which the school will need in order to function properly are:

10 PT type aircraft
10 BT 13A aircraft
3 AT 7 or 11's
2 Link Trainers

It is my understanding that aircraft of this type are in plentiful supply and a large number thereof have been declared surplus. Will you therefore please let me know whether we can make this aircraft available, and if so, the minimum price at which we can turn it over to the Mexican Government.

Sincerely yours,

DEAN ACHESON

[In a letter dated December 4, 1945, not printed, Stuart Symington assured the Under Secretary that the total cost to the Mexican Government of the 25 units requested "would be but a very small portion of the original cost to the government." (812.796/12-445)]

Efforts by the American Embassy in Mexico to negotiate a formal agreement for the operation and expansion of the CAA-sponsored pilot training school at Puebla continued through 1946 and 1947 without success. In October 1946, five PT-26 aircraft were acquired by the training school from U.S. surplus stock at a total cost of \$5,000. However, with exception of the period from August to December 1946, the school was inactive from December 1945 until June 1947, and in December 1947 the Department approved a recommendation from the Civil Aeronautics Administration and Commerce Department that the assignment of the three CAA technicians at the flight school be terminated.]

812.24/12-845

*The Mexican Ambassador (Espinosa de los Monteros) to the
Secretary of State*

[Translation]

WASHINGTON, December 8, 1945.

YOUR EXCELLENCY: At the suggestion of His Excellency the United States Ambassador to Mexico, my Government held in that city, in March, 1945, joint staff conversations between representatives of the armed forces of our two countries.

The Mexican Military representatives were in complete accord with the principles presented by the United States representatives, which sought to unify the armed forces of the American Republics in regards to equipment, organization and training. Your Excellency's Government offered to assist on the matter and if practicable to supply equipment from surpluses available at the termination of the war. My Government is in the process of reorganizing its armed forces, to carry out the principles of unified organization referred to above.

As the first increment of what it is hoped to obtain from the United States, application is hereby made to purchase, through Surplus Property channels, equipment for the following:

Three (3) Cavalry Reconnaissance Squadrons, mechanized (other than Armored Divisions) T/O & E ³¹ 2-25.

The Department of National Defense of Mexico has set aside the funds which it estimates will be necessary for the purchase of this equipment, and I am informed that same can be made available by the Department of War, as soon as it is authorized to do so.

I avail myself [etc.]

ANTONIO ESPINOSA DE LOS MONTEROS

811.2312/12-1145

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

[Extracts]

No. 27,646

MÉXICO, D. F., December 11, 1945.

[Received December 18.]

SIR: I have the honor to make the following report on a visit of a number of planes of the United States Army Air Force to Mexico, comprising a so-called demonstration unit.

In the early part of November, I proceeded to Washington for a short period of consultation in the Department and as General Arnold, Commanding General of the United States Army Air Forces, was returning to the United States after an official visit to Mexico, he

³¹ Tables of Organization and Equipment.

invited me to return on the plane with him. During the trip to Washington, we were able to complete an exchange of views with regard to collaboration between the United States and Mexican Air Forces which it had been possible to initiate in Mexico City during General Arnold's official visit on the invitation of the Mexican Government. During the course of our final conversations on this matter, General Arnold indicated that he thought it would be very helpful in many ways if a demonstration unit of the Army Air Force made a visit to Mexico City in the same manner as such units had made visits to various places in the United States in order that the President and high officials of the Mexican Government, and particularly of the Mexican Army, Air Force, and Navy, could become familiar with the types of combat aircraft which had been used by our Armed Forces in the European and the Pacific theaters of the war. The interest of the Mexican public in the air phases of the war had been constant and keen and had recently been accentuated because of the return to Mexico of Mexican Squadron 201 which participated in the Pacific theater of the war. General Arnold felt, and I agreed with him, that it would be very interesting for the Mexican officials and the Mexican public to see the B-29 which was the type of plane which the Mexican Squadron cooperated in protecting as well as various types of combat planes with which the Mexican Squadron collaborated.

The whole visit was a success in the sense that it increased the prestige of our Government, undoubtedly aided in the development of good will and from the point of view of military collaboration it could not have been more desirable and more effective. On the evening of Saturday, December 8, I gave a reception in the Embassy for the officers and pilots in the exhibition unit and for some 60 officers of the Mexican Army Air Force and it was interesting to see the good feeling and association which has been established through the collaboration in recent years.

A limited number of units will be left, as agreed upon, and they are in the charge of the Military Attaché of this Embassy. It is important that we carry through the specific obligation which we have undertaken and which I expressed to the President of Mexico and to the Minister of National Defense and to the head of the Mexican Army Air Force that these aircraft we have left here will be declared surplus without value by the War Department and then turned over without cost to the Mexican Army Air Force. If it is necessary for purposes of accounting to place some transfer value on the planes, it should not be in excess of five dollars a plane for it was specifically stated by me in accord with the arrangements made for the visit, to the President

of Mexico and the others concerned, that the planes left here would be delivered to the Mexican Army Air Force without cost. The maximum transfer value, if any such value is placed on the planes, should be one dollar or five dollars per plane.

In this connection, I should like to emphasize that these planes do not have more value to our Government for the planes which have been left here are the types of planes in which there is great surplus and which instead of having a salvage value to our Government it will cost money to destroy. When we are engaged in a program of defense collaboration with so close a neighbor as Mexico and when these planes have such a definite value here for training purposes in the Mexican Army Air Force, we cannot ask them to pay for such planes when they know that the planes have no value to us in the United States but would otherwise be scrapped.

I will transmit with a following despatch ³² a list of the planes which have been left here; the number of planes is from 12 to 14 and they are of the smaller combat type for the most part. I will appreciate a copy of this despatch being sent to the War Department for the particular attention of the Army Air Force. I would also appreciate a copy being sent to the Joint Mexican-United States Defense Commission, specifically to General Henry. I wish to express to General Arnold and to the Army Air Force and to the War Department my very deep appreciation of their having made this visit of the demonstration unit possible as I am convinced that it has served a very useful purpose in adding to our prestige, in aiding in the development of friendly relations between the two countries and in strengthening the collaboration in defense matters between the two countries.

Respectfully yours,

GEORGE S. MESSERSMITH

812.796/12-2645 : Airgram

*The Acting Secretary of State to the Ambassador in Mexico
(Messersmith)*

WASHINGTON, December 26, 1945.

A-2061. Reference is made to your telephone conversations with officers of the Department concerning certain United States Army airplanes presently in Mexico which the Air Forces propose to permit the Mexican Air Forces to operate for training purposes. Reference is also made to a telegram sent the Military Attaché by the War Department granting him the authority to make this loan of War Department property.

³² Despatch 27,794, December 26, 1945, not printed.

The Department understands that the general conditions underlying the use of this equipment include:

(1) That the equipment in question is loaned to the Mexican Government for training purposes only and that operation of the aircraft is maintained in order that temporary storage is unnecessary. It is agreed that the airplanes are not to be used for any other purpose.

(2) That, while title to these airplanes now rests in the War Department, United States Army Air Force insignia may be replaced with Mexican insignia, provided that such a request comes from a source higher than the Air Force level.

(3) That this Government and any agency or instrumentality thereof shall not be responsible for any property or other damage, and/or injury and/or loss of life, which may occur through the operation of these airplanes and equipment while they are on loan to the Mexican Government, and that any and all such responsibility shall be assumed by the Mexican Government.

The Department has no objection to your addressing a note to the Mexican Foreign Office reciting these provisions. It feels, however, that Point (2) above should be stressed as it would be reluctant, in view of possible political repercussions, for this equipment to be used with United States insignia. For this reason, in the event of an exchange of notes, you are instructed to state:

That, while title to this equipment rests with the Government of the United States, it shall, while on loan to the Mexican Government and while being operated for training purposes by that Government, bear Mexican insignia.

ACHESON

811.2312/12-2645

*The Ambassador in Mexico (Messersmith) to the Mexican Minister for Foreign Affairs (Castillo Nájera)*³³

No. 4635

México, D. F., December 27, 1945.

EXCELLENCY: I have the honor to refer to the conversation which I had with Your Excellency in the latter part of November of this year with respect to the visit of a demonstration unit of the United States Army Air Force to Mexico City. At that time I also discussed this matter with the Under Secretary, Dr. Tello, and with the Minister of National Defense General Urquiza, and with General Salinas of the Mexican Army Air Force. In all of these conversations I indicated that the demonstration unit which would visit Mexico City would be composed of two parts:

1. The planes to be demonstrated to the Mexican Army which would be returned to the United States;

³³ Copy transmitted to the Department by the Ambassador in Mexico in his despatch 27,794, December 26, 1945.

2. A certain number of planes which it was intended to leave here in the care of this Embassy and of the Military Attaché of the Embassy to be eventually turned over to the Mexican Government and Mexican Air Force for training purposes.

You will recall that this visit took place and, through the collaboration of the Ministry of National Defense, proved to be of considerable interest and a real success.

Towards the middle of December, when the principal number of these planes forming the demonstration unit returned to the United States, there were left here in the care of this Embassy and of its Military Attaché, as originally planned, the following planes:

3 B-25s
2 F-2s
6 AT-6s, and
3 C-47s.

A number of pilots of the United States Army Air Force remained here in order to continue the training of members of the Mexican Army Air Force in the flying of these planes. These pilots returned to the United States around December 20 of this year.

In view of the fact that these planes remain the property of the War Department and of the Army Air Force of the United States until the final arrangements for transfer, as planned to the Mexican Government and the Mexican Air Force, can take place, I deemed it desirable that, pending certain arrangements for the use of the planes by the Mexican Air Force, the planes should remain grounded so as to avoid any possibilities of claims growing out of unfortunate accidents which may always occur in connection with such training flights. I therefore, through Captain Telles, who remains in direct charge of the planes for this Embassy, made the suggestion to the head of the Mexican Air Force, General Salinas.

If the planes are not flown, they will have to go into temporary storage, which requires certain special arrangements for the conservation of the planes, and it seemed desirable therefore that, pending final delivery of the planes to the Mexican Government and Mexican Army Air Force, arrangements should be made for their continued use by the Mexican Air Force for training purposes. I therefore communicated with my Government³⁴ and I have instructions from the Department of State³⁵ and from the War Department³⁶ to the following effect.

The planes above mentioned and which have been left here in the care of this Embassy, and which remain for the present the property

³⁴ Telephone conversations.

³⁵ Airgram A-2061, *supra*.

³⁶ Telegram addressed to the Military Attaché, December 24, not printed; substance given in despatch 27,794, December 26, from Mexico, not printed.

of the United States Government, may be considered on loan to the Mexican Government, pending transfer of the planes to that Government, and during such loan and until transfer is made the planes may be utilized by the Mexican Government and Air Force for training purposes.

My Government has expressed the desire that, if the Ministry of National Defense so desires and so expresses the desire, the insignia of the Mexican Air Force may be placed on the above-mentioned planes. It is in fact the hope of my Government that this will be done, as it believes, in view of the fact that the planes will be on loan to the Mexican Government and utilized by its Army Air Force for training purposes, that it is desirable that the planes carry the insignia of the Mexican Air Force, even though actual transfer of title has not taken place.

I have further instructions from my Government to the effect that under these circumstances I am to secure the agreement of the Mexican Government that, if during such use of the planes by the Mexican Air Force and before final transfer thereof is made to the Mexican Government any unfortunate accident should occur involving damage to life or to property, it will be understood that the Government of the United States, or any agency or officer thereof, will not be held responsible for any such damage to persons or property. I am also instructed to state on behalf of my Government that it will be understood, in the case of such agreement for the use of the planes, should any of the above-mentioned planes on temporary loan be damaged or destroyed, there will be no claim on the part of my Government for such damage or loss.

I also have to inform Your Excellency that a supply of spare parts has been sent by my Government which is in the charge of this Embassy, which spare parts are to be used for the maintenance and upkeep of these above-mentioned planes. These spare parts, now in the care of this Embassy, remain the property of my Government until the transfer of the planes is made to the Mexican Government when such spare parts will be delivered to the Mexican Government and Air Force. Nevertheless, in order to facilitate the operation of the planes for training purposes by the Mexican Air Force during the period of loan and pending transfer of the planes, the officer who is in charge of the planes for this Embassy will issue on the request of the Mexican Air Force, without cost, any such spare parts as may be needed for their maintenance and operation.

A certain amount of armament and ammunition which forms a part of the complete equipment of these above-mentioned planes is in the custody of this Embassy and will be turned over to the Mexican Government and Air Force when the transfer of the planes to the Mexican Government is effected.

Under instructions of the War Department and Army Air Force of my Government, Captain Paul [*Raymond L.*] Telles has been designated as the official supply officer in connection with these planes and is attached to the Military Attaché of this Embassy for administrative purposes.

I would appreciate very much Your Excellency advising me if the Mexican Government is in accord with the above, in which case, immediately after the receipt of Your Excellency's affirmative reply, the utilization of the planes by the Mexican Government and Mexican Air Force may continue for training purposes.³⁷

Please accept [etc.]

GEORGE S. MESSERSMITH

ARRANGEMENTS BY THE UNITED STATES AND MEXICO REGARDING
THE TEMPORARY MIGRATION OF AGRICULTURAL AND OTHER
WORKERS INTO THE UNITED STATES³⁸

811.504 Mexico/1-345

*Memorandum of Conversation, by Mr. William G. MacLean of the
Division of Mexican Affairs*

[WASHINGTON,] January 3, 1945.

Participants: Mr. Rafael de la Colina, Minister Counselor of the Mexican Embassy;
Mr. Luis Padilla Nervo, Official Mayor of the Mexican Ministry of Labor;
Mr. Wilson Cowan, Assistant Administrator of the War Food Administration;
Brigadier General Philip G. Bruton, Chief, Office of Labor, War Food Administration;
Messrs. John W. Carrigan and William G. MacLean, Division of Mexican Affairs.

Under instructions from his Government, Mr. Padilla Nervo came to Washington to discuss the question of workers brought to this country under the two existing agreements,³⁹ as well as Mexican illegal entrants in the United States. The discussions at this meeting were

³⁷ The Mexican Minister for Foreign Affairs approved the terms of the Ambassador's note in reply note No. 50,424, January 11, 1946, not printed; copy of translation enclosed in despatch No. 27,949, January 14, from Mexico, not printed.

³⁸ Continued from *Foreign Relations*, 1944, vol. vii, pp. 1290-1336.

³⁹ Agreement concerning temporary migration to the United States of Mexican agricultural workers effected by exchange of notes signed at Mexico City August 4, 1942, as revised by agreement signed at Mexico City April 26, 1943, and agreement relating to recruitment of non-agricultural workers effected by exchange of notes signed at Mexico City April 29, 1943. For texts of agreements, see Department of State Executive Agreement Series Nos. 278, 351, and 376, or 56 Stat. (pt. 2) 1759, 57 Stat. (pt. 2) 1152, and 57 Stat. (pt. 2) 1353, respectively. For documentation relating to the negotiation of these agreements, see *Foreign Relations*, 1942, vol. vi, pp. 537 ff., and *ibid.*, 1943, vol. vi, pp. 531 ff.

confined to the Mexican agricultural workers in the United States under the revised agreement of April 26, 1943.

Mr. Padilla Nervo said that he would be very interested to have any available information regarding this Government's plans for the use of Mexican agricultural workers in 1945. General Bruton stated that recent war developments might cause change in plans already agreed upon which provided for the bringing in of 60,000 workers in 1945, as compared with approximately 68,000 here at the peak season of 1944. (The Mexican Government has set 75,000 as the number it can make available at any given time.) General Bruton said that the announcement made yesterday by Justice Byrnes ⁴⁰ that farm workers between the ages of eighteen and twenty-six who now had exemptions would be called up under Selective Service would make it especially important to carry through the 1945 program for Mexican workers. He said that he and Mr. Cowan had planned to go to Mexico City about January 9 to discuss arrangements with the Embassy and the interested officials of the Mexican Government. He said it might still be necessary to go, but no doubt many questions could be advanced by the discussions with Mr. Padilla Nervo.

Mr. Padilla Nervo brought up the subject of unsatisfactory working conditions which caused many complaints by workers in the states of Michigan, Wyoming, Nebraska, and North Dakota, principally in the production of sugar beets. He said that the complaints of the workers had caused much embarrassment for the Government of Mexico and that the workers had passed the word from one to another that the states mentioned were very undesirable places for them to work. The discontent of these workers, he pointed out, made it necessary for the Mexican Government to consider some special arrangements to prevent a repetition of the situation.

General Bruton recognized the difficulties and said that steps were being taken to insist on improvement in the areas and industry mentioned as a condition to the assignment of workers in 1945. Mr. Padilla suggested that his Government might find it necessary to insist that workers be told before their departure from Mexico what was to be their destination. In that way, he thought that those who accepted work in areas from which complaints had previously arisen would have less reason to embarrass his Government by complaints if they were not satisfied. General Bruton stated that the first workers would probably be recruited in the month of February, and they would no doubt go to California, where the need for them came early in the year. He said that that would give more time to work out the prob-

⁴⁰ Former Associate Justice of the United States Supreme Court James F. Byrnes, Director of the Office of War Mobilization and Reconversion.

lems in connection with the states mentioned, which badly needed workers in any event.

General Bruton said he would have certain studies made for Mr. Padilla to present to him early in the week of January 8, when a further meeting on this subject would be held. Both General Bruton and Mr. Cowan expressed, during the meeting, appropriate thanks for Mexico's cooperation in this vital program.

811.504 Mexico/1-1145

*The Commissioner of the Immigration and Naturalization Service,
Department of Justice (Carusi) to the Secretary of State*⁴¹

PHILADELPHIA, January 11, 1945.

MY DEAR MR. SECRETARY: On June 2, 1944 an agreement was reached between representatives of this Government and the Government of Mexico concerning the matter of the entry of Mexican nationals into the United States, whereby the Mexican Government was to impede the illegal exodus of Mexican workers and the United States Government was to prevent as far as possible their illegal entrance and to return to Mexico such workers who had crossed the border and were unlawfully in this country.⁴²

Pursuant to that agreement the Immigration and Naturalization Service returned to Mexico between June 1 and December 1, 1944, 45,461 Mexican nationals from the states adjacent to the Mexican border. It is probable that some 15 or 20,000 Mexican nationals still remain unlawfully in these states because of the unprecedented clandestine entry of Mexican nationals during the past few months. For some months illegal entrants in the Imperial Valley have been returned to Mexico through Mexicali at the rate of 100 to 150 per day, and it is estimated that approximately 6,000 more illegal residents remain in that vicinity.

The Mexican Government, without previous notice, on December 5, 1944 closed its border at Mexicali to the return of Mexican nationals who were unlawfully in the United States. It has been informally ascertained that this action was taken at the request of the Governors of Sonora and Baja California because of the inability of those states to care for the large number of nonresident Mexican nationals who were being returned across the border by the United States authorities and the unavailability of transportation to the central states of Mexico, where most of the nationals were previously residents. The Immigra-

⁴¹ For attention of John W. Carrigan.

⁴² Agreement of June 2, 1944, not printed; for summary, see despatch 18,085, June 6, 1944, from Mexico, *Foreign Relations*, 1944, vol. VII, p. 1314.

tion and Naturalization Service is, therefore, forced to temporarily discontinue its action looking to the arrest and return to Mexico of Mexican nationals who are residing unlawfully in that area and new arrivals there who are reported to be clandestinely crossing the border at the rate of about 150 per day. Detention facilities are not available for the prolonged detention of such a large number of aliens, and to return them through other points along the Mexican border would only create problems in those communities similar to the ones being faced in Mexicali.

It is desired to point out that apparently no problem is involved in the return to Mexico of several thousands of workers who have been imported by this Government under contract who are being returned to the point of recruitment in Mexico at the expiration of their contracts by the War Food Administration or other employers in the United States.

The Immigration and Naturalization Service proposes, in order to adjust this serious situation, to return Mexican nationals unlawfully in the United States through the port of Mexicali if residents of Baja California; and through the port of Nogales if residents of Sonora, Sinaloa and Jalisco; and to return all such other nationals from the southwestern part of the United States through the port of Juarez. Any arrangement, however, to return Mexican nationals from the Imperial Valley through the ports of Nogales and El Paso must be contingent upon the Mexican Government providing for and arranging transportation of these nationals to their homes or other points in Mexico removed from the border. It is suggested that the Mexican Government be also requested to provide transportation to the appropriate interior points of Mexico for unlawful residents in the lower bend area of Texas who are now being returned daily through the ports of Nuevo Laredo and Matamoros.

The Mexican Government should be urged to take this action at once in order that the apprehension and return at a steady rate be continued of Mexican nationals who are unlawfully in the United States. It is believed that the failure to make and carry out such an arrangement will encourage the employment in the United States of illegal entrants in preference to contract workers and eventually bring about a demand on the part of this Government for the return to Mexico, in large numbers, of its nationals who have been found to be unlawfully in the United States.

Sincerely yours,

UGO CARUSI

811.504 Mexico/1-1345

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

No. 6914

WASHINGTON, January 22, 1945.

SIR: Reference is made to the agreement of April 29, 1943 for the recruiting of nonagricultural workers in Mexico, under which the Mexican Government has given permission for the maintaining of 50,000 railroad maintenance-of-way employees in the United States.

There is now attached for your information a copy of a letter of January 13, 1945 from the War Manpower Commission,⁴³ in which it is requested that the Mexican Government be asked to raise this quota for railroad workers from 50,000 to 75,000 workers. The War Manpower Commission gives as a reason for this request that reports from the railroad industry reveal a present shortage of 90,000 maintenance-of-way workers. It is further stated that the Commission has been urged to give immediate consideration to the requirements of twenty-two carriers for more than 17,000 workers in addition to those assigned under the existing 50,000 quota.

You are therefore authorized, in your discretion, to present this request to the Mexican Government with a view to securing, if possible, the desired permission.⁴⁴ As indicated in the communication from the War Manpower Commission, this matter has been discussed with Lic. Luis Padilla Nervo, Oficial Mayor of the Mexican Ministry of Labor, who is presently in this capital, and Mr. Padilla Nervo raised no objections to this request but indicated that it would of course have to be considered by the Mexican Government in the light of the latest statistics regarding the labor supply in Mexico.

In presenting this request, you may wish to have in mind that the War Manpower Commission has renewed its request for 25,000 forge, foundry, and other heavy industry workers, who were the subject of communications between the Department and the Embassy several months ago.⁴⁵ The War Department has also recently again urged the Department to expedite this matter in every way possible because of the need for these workers in war plants. In a separate instruction⁴⁶ you are being asked to renew the request of this Government for these heavy industry workers, and a newly revised proposed individual work agreement is being forwarded to you⁴⁷ for clearance

⁴³ Not printed.

⁴⁴ Ambassador Messersmith made this request in Note No. 3531, January 29, 1945, to the Mexican Foreign Office; the Minister for Foreign Affairs, Ezequiel Padilla, approved the 25,000 worker increase in his answering note No. 3133, February 17, 1945; neither printed.

⁴⁵ See instruction 6696, December 11, 1944, to Mexico, *Foreign Relations*, 1944, vol. VII, p. 1334.

⁴⁶ Instruction 6921, January 26, 1945, not printed.

⁴⁷ Enclosed in instruction 6921, January 26, 1945, not printed. This proposed agreement, although approved with reservations by the Mexican Ministry of Labor in April 1945, was not consummated.

with the Mexican Government. The revisions have been made in consultation with Mr. Padilla Nervo.

Very truly yours,

For the Secretary of State:
NELSON ROCKEFELLER

811.504 Mexico/1-2345

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

No. 22,653

MÉXICO, D. F., January 23, 1945.

[Received January 26.]

DEAR SIR: I have the honor to inform the Department that while I was in the Ministry of Foreign Relations yesterday having a long talk with the Minister for Foreign Relations, Dr. Padilla, on various matters, he received a call from the Minister of Labor.⁴⁸ After this call Dr. Padilla informed me that Mr. Padilla Nervo was in Washington. He is the Official Mayor of the Department of Labor. Dr. Padilla said that while he was in Washington, the War Manpower Commission had taken up with Mr. Padilla Nervo the need of our Government for 50,000 additional workers from Mexico, over the number permitted under existing agreements, largely for work on the railways and in foundries.

Dr. Padilla said that this matter had been taken up with the President of Mexico ⁴⁹ who had indicated to him that the Mexican Government was disposed to permit the enrollment of an additional 50,000 workers above those covered by existing authorizations. He said that the President of Mexico had indicated his willingness to do this as he realized the importance of the contribution which these workers could make to the war effort in the United States and for the need of such workers due to the manpower situation in the United States. The President wished to do this as a further indication of the desire of Mexico to collaborate as fully as possible in the war effort and all related with it. The Minister went on to say that the telephone call which he had just received from the Minister of Labor was to the effect that the President had communicated to him his decision in this matter and that the Minister of Labor had indicated his accord and his willingness to go through with the enrollment of 50,000 more workers above existing arrangements. Dr. Padilla said that he was very glad to be able to make this communication to me.

I expressed appreciation to the Minister and said that I had had no knowledge of this request as it had obviously been made by the

⁴⁸ Francisco Trujillo Gurria.

⁴⁹ Manuel Avila Camacho.

War Manpower Commission directly to Mr. Padilla Nervo. I said, however, that I was sure that this additional indication of the collaboration of the Mexican Government was properly appreciated by my Government.

Respectfully yours,

GEORGE S. MESSERSMITH

811.504 Mexico/5-245

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

No. 24,251

MÉXICO, D. F., May 2, 1945.

[Received May 5.]

SIR: Reference is made to recent correspondence in connection with the desire of the Mexican Government to obtain from the Government of the United States assurances that the Mexican citizens now in the United States under the agreements of April 26 and April 29, 1943, would be returned to México upon the termination of hostilities over a period of six months. It will be recalled that this question was the subject of telephone conversations between an officer of the Embassy and Mr. W. G. MacLean of the Department of State; that as a result of these conversations, the Embassy was authorized to inform the Mexican Foreign Office that the Mexican workers in the United States on the cessation of hostilities would be returned to this country over a period of six months, that is, that they would be permitted to finish their contracts which, in general, are drawn up for a period of six months.

In connection with this question, I have the honor to transmit herewith a copy of the Embassy's note No. 3710 of March 26, 1945, to the Mexican Foreign Office⁵⁰ transmitting the assurances desired by the Mexican Government. It would be appreciated if copies of this note could be made available to the appropriate government agencies in Washington.

Respectfully yours,

For the Chargé d'Affaires
SIDNEY E. O'DONOGHUE
Second Secretary of Embassy

811.504 Mexico/4-445: Airgram

The Acting Secretary of State to the Chargé in Mexico (Bursley)

WASHINGTON, May 8, 1945.

A-849. Reference is made to the Department's airgram no. 740 of April 21, 1945,⁵⁰ and to previous communications regarding the return

⁵⁰ Not printed.

to Mexico of Mexican illegal entrants into the United States by the Immigration and Naturalization Service of the United States under the terms of the joint memorandum of January 9, 1945.⁵² Reference is also made to the information telephoned to the Department on April 25, 1945, by Mr. Sidney E. O'Donoghue, Second Secretary of Embassy, that the War Food Administration and the War Manpower Commission were not interested in proceeding further with arrangements to recruit these individuals in view of the fact that only 125 to 150 a week would be made available.

The Immigration and Naturalization Service informed the Department on May 2 by telephone that it had now begun the delivery of illegal entrants to Nogales, Sonora, and Ciudad Juárez, Chihuahua, as contemplated under the joint memorandum of January 9. The Service said that 41 were delivered at El Paso on April 25, and 51 were being delivered on May 2, and that 58 had been delivered at Nogales on April 30. Those delivered to Nogales were residents of the mainland Pacific Coast States of Mexico as agreed upon. The Immigration Service stated that the rate of return might increase slightly.

You are authorized, in your discretion, to inform the appropriate agencies of the Mexican Government of this movement of workers and express the hope that, as set forth in the joint memorandum, the Mexican Government will take the necessary measures to transport these workers from the border so that it will not be easy for these individuals immediately to re-enter the United States clandestinely.

GREW

811.504 Mexico/7-2345

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

No. 25,501

MÉXICO, D. F., July 23, 1945.

[Received July 30.]

SIR: Reference is made to previous correspondence in connection with the operation of the agreement of April 26, 1943, between the United States and México whereby the War Food Administration has been recruiting labor in México for employment in the United States in agricultural work. It will be recalled that a quota of 75,000 had been established as the number of such labor which might be in the United States at any one time.

In this connection, I have the honor to report that Mr. Harry F. Brown, the local representative of the War Food Administration, called at the Embassy on July 21 and stated that he had just received instructions from Mr. Anglim, Berkeley, California, Regional Di-

⁵² Department of State's Joint Memorandum of Conversation of January 9, 1945, between Mr. Padilla Nervo and officials of the Department of State and other Government agencies in Washington, not printed.

rector of the War Food Administration, that owing to budget difficulties it would be necessary to close down WFA recruiting activities in México with the sending of the train the evening of that same day. He stated that he had been instructed to disband his recruiting organization at Irapuato, although he is to keep his office open in the Capital.

Mr. Brown continued by stating that when General Bruton had been Director of Labor of the WFA,⁵³ he felt that he could, and undoubtedly could have obtained from Congress funds as needed for the program; that the budget had been estimated to cover 100,000 foreign workers, including West Indians; but that the number of workers in the United States is now slightly in excess of 100,000 and since the Department of Agriculture will not now approach Congress for increased funds, it is therefore necessary for WFA to retrench. Mr. Brown said that the WFA was taking the question up with the Department of State and he expressed surprise that the Department had not informed us as to the action taken.

In view of the fact that this matter treated of an international agreement it was deemed advisable in the Embassy immediately to inform the Foreign Office as to the termination of the War Food Administration's recruiting activities. A note was therefore prepared and delivered to the Oficial Mayor of the Mexican Foreign Office at 12:30 on July 21. A copy of this note is attached hereto.⁵⁴ It will be noted that no mention is made as to the real reason for the curtailment of the WFA activities but that the termination of such activities is based on the fact that the quota of 75,000 had been approximately reached.

Subsequent to his visit to the Embassy, Mr. Brown, who was considerably perturbed as to the reaction of Labor officials, called on those officials and told them frankly of the action which was being taken and the reasons therefor. He has informed the Embassy that although these officials were originally considerably annoyed over the abrupt manner in which this recruiting was terminated, he succeeded in mollifying them and he believes that there will be no further official repercussion. In this connection, he stated that this was largely possible owing to the cooperative attitude of Mr. Churchill Murray, the local representative of the War Manpower Commission, who has agreed to take over the labor which had been set aside by the Ministry for the use of the War Food Administration.

The Embassy has had no official reaction to the termination of the WFA activities but it is entirely possible that some may be forth-

⁵³ General Bruton had been reassigned to the War Department as Division Engineer of the Pacific Division, Corps of Engineers, U.S. Army.

⁵⁴ Note No. 4114, delivered to the Oficial Mayor, Pablo Campos Ortiz; not printed.

coming, more especially since the Ministry of Labor had recently gone to considerable trouble in order to make additional manpower available to the WFA. Newspaper comment has been limited to two articles in the often unfriendly *Novedades* of July 22 and 23.

The Embassy is keeping in touch with this situation and will keep the Department informed.

Respectfully yours,

For the Ambassador
SIDNEY E. O'DONOGHUE
First Secretary of Embassy

811.504 Mexico/8-2845 : Telegram

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

MEXICO CITY, August 23, 1945—6 p. m.

[Received August 24—1 : 45 a. m.]

1027. Local representative War Manpower Commission informs he has received orders to discontinue recruiting Mexican railway workers under agreement of April 29, 1943 and indicating program is at an end.

Counselor of Embassy⁵⁵ was today informed by the Official Mayor of Foreign Office of Mexican Government's grave concern over the prospect of the abrupt termination of War Manpower Commission activities here. He said that Mexican Government, at specific request of War Manpower Commission and War Food Administration, had concentrated up to 11,000 workers in various districts for recruiting, and that to return them to their home areas would cause difficulties, possible riots and embarrassment to the Government. Official Mayor pointed out that first paragraph general provisions of agreement of April 29 provided for 90 days notice of termination thereof and was specifically designed to avoid situations such as present one.

While I appreciate fully motives impelling discontinuance of recruiting activities, I nevertheless feel compelled to point out that the precipitate action being taken by War Manpower Commission is not in accord with the collaborative spirit which animated the execution of the agreement; and I feel that we should take steps to contract as many workers as possible of those now assembled so as to avoid creating difficulties for the Government; more especially since the concentration of these workers has been undertaken at request of War Manpower Commission.

I should appreciate this matter being taken up with the War Manpower Commission as strongly and as soon as possible.

MESSERSMITH

⁵⁵ Raymond H. Geist.

811.504 Mexico/8-2845

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

[Extracts]

No. 26,023

MÉXICO, D. F., August 28, 1945.

[Received September 4.]

SIR: Reference is made to my telegram #1027 of August 23, 6 p. m., 1945 and to telephone conversations between Mr. O'Donoghue of my staff and Mr. William G. MacLean of the Mexican Division of the Department respecting the termination of the War Manpower Commission's labor recruiting activity in Mexico under the agreement of April 29, 1943.

On August 27 Mr. O'Donoghue called at the Foreign Office and told the Oficial Mayor, Lic. Campos Ortiz, that it would appear now that it will be impossible for the War Manpower Commission to recruit any of the large number of Mexican workers who have been concentrated at various points in the Republic for contracting. He said that the contracting of workers by the War Manpower Commission had been carried out under war-time legislation or authority and that this originally provided that all foreign workers in the United States should be returned to their countries of origin within thirty days following the cessation of hostilities, but that following representations made by the Mexican Government, the United States Immigration and Naturalization Service had ruled that insofar as Mexican workers are concerned all such in the United States at the time of cessation of hostilities would be permitted to terminate their contracts, which were usually drawn up for a period of six months; and that this measure provided that the return flow of Mexican labor from the United States would be at the rate at which they were contracted and would be over a period of six months. Mr. O'Donoghue told Lic. Campos Ortiz that under existing legislation it would be impossible to recruit any other workers in Mexico for six months' employment in the United States, since all foreign workers now in the United States would have to leave there within six months as of August 14, which was the date set by the Immigration Service as the date of cessation of hostilities.

Lic. Campos Ortiz then referred to the first paragraph of the general provisions of the agreement of April 29, 1943, which reads as follows:

"It is understood that the War Manpower Commission will cooperate with such other agencies of the Government of the United States in carrying this understanding into effect whose authority under the laws of the United States are such as to contribute to the effectuation of the understanding. Either Government shall have the right to renounce this understanding giving appropriate notification to the other

Government ninety days in advance. This understanding may be formalized by an exchange of notes between the Ministry for Foreign Affairs of the Republic of Mexico and the Embassy of the United States of America in Mexico."

In this connection Lic. Campos Ortiz inquired if the United States Government is taking any steps to renounce the agreement and was informed that no renouncement was being made at this time. Lic. Campos Ortiz then said that in the opinion of his Government the ninety day clause contained in the general provisions was inserted for the precise purpose of obviating such a situation as has now arisen and to provide for the orderly contracting of and liquidation of workers who had been assembled at contracting points in the Republic by the Mexican authorities at the request of the War Manpower Commission. He felt therefore that the Mexican Government's claim that the Commission should contract these workers was binding and, since the question involved an international agreement, he suggested that such an agreement was more binding than the law of the land. He indicated that the Ministry for Foreign Affairs would doubtless be addressing the Embassy a formal communication along this line (a copy of a memorandum prepared by Mr. O'Donoghue following his conversation with Lic. Campos Ortiz is attached hereto).⁵⁶

While I feel that the position taken by the Mexican authorities in the matter of the recruiting of labor which it has assembled at various points in the Republic may be considered as too demanding, nevertheless I consider that a certain amount of right pertains to it. There is no doubt that these workers were assembled at the direct request of the War Manpower Commission and that some expense and considerable difficulty were met with in collecting these individuals. There will also be considerable more difficulty and at least some more expense now in returning these prospective recruits to their homes. I do not know what proposition, if any, we can or would be in a position to make to the Mexican Government in liquidation of this matter, but I would suggest that thought be given to finding some means of liquidating any justifiable complaint which the Mexican Government might possibly have as to the War Manpower Commission's abrupt termination of recruiting activity.

Respectfully yours,

GEORGE S. MESSERSMITH

⁵⁶ Memorandum dated August 27, 1945, not printed.

811.504 Mexico/9-445

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

No. 26,059

MÉXICO, D.F., September 4, 1945.

[Received September 13.]

SIR: I have the honor to transmit herewith a copy and translation of Foreign Office note No. 3604 dated August 30, 1945,⁵⁷ expressing that Ministry's concern over the abrupt termination of the recruiting activities of the War Manpower Commission under the Agreement of April 29, 1943. It will be noted that the Ministry requests that a minimum of six thousand eight hundred and fifty Mexican nationals, who were at the time en route to different contracting centers in the Republic, be recruited by the War Manpower Commission. In this connection the Embassy has been advised by Mr. Churchill Murray, the local representative of the War Manpower Commission, that all of these Mexican nationals have since been dispersed and returned to their homes; and further that it would be extremely difficult, if not impossible, for the Ministry of Labor to bring sufficient pressure to bear on the Governors of the several Mexican States again to concentrate any large number of workers for contracting.

Respectfully yours,

For the Ambassador:

SIDNEY E. O'DONOGHUE

First Secretary of Embassy

811.504 Mexico/8-3145

*The Acting Secretary of State to the Ambassador in Mexico
(Messersmith)*

No. 7899

WASHINGTON, September 11, 1945.

SIR: Reference is made to the Agreement of April 26, 1943 for the temporary migration to the United States of Mexican agricultural workers. Reference is also made to recent communications between the Department and the Embassy in regard to the repatriation of Mexican workers now in the United States as their contracts expire.

A letter dated August 31, 1945⁵⁷ has now been received from Colonel Wilson R. Buie, Director of Labor of the United States Department of Agriculture, which states that in planning for the return of Mexican nationals several things must be taken into consideration, such as the existing need for such workers to assure the maximum harvest of current crops and the transportation equipment and facilities available for effecting their orderly repatriation. It

⁵⁷ Not printed.

states that in order to make full utilization of Mexican workers until such time as return transportation is available, it is proposed that on or before the termination date specified in existing individual work agreements, the Mexican workers be requested to execute an agreement, a copy of the text of which is transmitted herewith.⁵⁹

In order to ascertain the exact intention of the proposed amendment, an officer of the Department discussed the matter with officials of the Department of Agriculture, who made certain clarifications. All existing contracts of Mexican agricultural workers expire on or before December 31. Therefore, the signing of this amendment by a Mexican worker would mean the extension of his contract at least to December 31, 1945, and to a later date, up to May 1, 1946, if authority and funds are made available by the Congress for such an extension. In other words, it might be said that the amendment provides an extension of existing contracts for a period which cannot at this time be specified. This will permit the continued employment of the worker until transportation is available for him, which is seen as an advantage to both the worker and the employer. While no restrictions are laid down, the proposed amendment would be offered principally to workers in the Southwest, including California, where, it will be recalled, there has been a demand in the past for a certain number of agricultural workers throughout the winter.

It is the understanding of the Department that the signing of the agreement by those to whom it may be tendered would be optional, which means that those who do not wish to remain in the United States beyond the period of their present contracts would be repatriated as their contracts expire. Those who do sign the extension agreement would have their contracts extended for an undetermined period at the convenience of the Department of Agriculture, which convenience would largely be governed by the availability of transportation to effect proper repatriation.

For your own confidential information and not to be communicated to the Mexican Government unless the question is raised by it, the Department of Agriculture would of course give the worker as much advance notice as possible, but at this time the Department of Agriculture does not find it possible to set any definite period for such notice.

You are requested, in your discretion, to discuss this proposed amendment with the Mexican Government with a view to securing agreement to its use under the circumstances indicated above. As the decision reached in this matter will have an important bearing on the working out of orderly repatriation schedules for all Mexican

⁵⁹ Not printed.

workers, it will be appreciated if you will handle this matter on an urgent basis.⁶⁰

Very truly yours,

For the Acting Secretary of State:
A. M. WARREN

812.504/9-1445 : Airgram

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

MÉXICO, D. F., September 14, 1945.

[Received September 17—6 p. m.]

A-2709. Reference MacLean's conversation on September 13 with O'Donoghue re increasing total of Mexican workers being repatriated if they were transported by vessel to Tampico.

After discussion of question with competent authorities, Embassy is able to state that Mexican National lines can not handle any number of repatriates in excess of 20,900 monthly. Even though these workers were transported to Tampico or other ports by vessel, they would still have to be brought to interior of Republic and strain on National lines would be same as though they were brought to Mexico via Laredo or El Paso. In other words, equipment and rolling stock directed to Tampico or other ports for purpose indicated would have to be taken from Laredo or El Paso runs with consequent reduction in equipment available for the return of Mexican workers from those ports of entry.

MESSERSMITH

811.504 Mexico/11-1445

Memorandum of Telephone Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] November 14, 1945.

Mr. Kingsley⁶¹ telephoned that Mr. Snyder⁶² had received a communication from the Secretary of Labor, Mr. Schwollenbach which stated that the latter was disposed to issue an order that Mexican nationals whose contracts have expired be held in camps while awaiting transportation to Mexico. Mr. Kingsley said that Mr. Snyder

⁶⁰ The Mexican Ministry for Foreign Affairs, in note No. 3805, November 6, 1945, enclosed in despatch 27,379, November 26, from Mexico, informed the American Embassy in Mexico that the Mexican Ministry of Labor agreed to authorize the renewal of the contracts of agricultural workers from the date of expiration to December 31, 1945, but reserved its decision with regard to renewal until May 1, 1946. The note further informed the American Embassy that the Ministry of Labor agreed to the continuance in effect of the contracts of railroad workers until such time as they could be returned to Mexico. (811.504 Mexico/11-2645)

⁶¹ J. Donald Kingsley of the Office of War Mobilization and Reconversion.

⁶² John W. Snyder, Director of the Office of War Mobilization and Reconversion.

wished to have the opinion of the Department in regard to this proposal.

I stated that the Department was of the opinion that such an action would seriously affect our good relations with Mexico and be a matter for exceedingly unfavorable publicity throughout the other American republics. I pointed out (1) that the individuals involved would be deprived of earnings to support their families while held in camps, which would create severe personal hardship for them; (2) that Governor McNutt, former Chairman of the War Manpower Commission, had personally arranged with the Mexican Minister of Labor for the employment of these workers until transportation could be provided for their return to Mexico and that Governor McNutt had assured the Minister that the workers would continue to enjoy all the guarantees contained in their individual work contracts; and (3) that the Mexican Government had been stressing for many months that it would have to object strenuously to the use of camps for their workers because of the reaction thereto which would undoubtedly arise in Mexico.

In regard to the second point above, I stated that, at the request of the War Manpower Commission, the Department had asked the Mexican Government to permit the continued employment of their workers while awaiting transportation, and that this would be considered by the Mexicans an additional commitment to keep them employed while awaiting repatriation. I said that Ambassador Messersmith, who is now in the city, felt very strongly that these workers should be given considerate treatment until they could be returned to Mexico, and that I was sure he would be glad to telephone Secretary Schwellenbach or to visit him regarding this question if Mr. Snyder's office considered that such an action would be desirable. Mr. Kingsley said that he was very glad to have this information and that he believed that Mr. Snyder would consider that Secretary Schwellenbach's proposal could not be put into force. Mr. Kingsley said that he would let me know if Mr. Snyder considered it necessary for the Ambassador to discuss this matter with the Secretary of Labor. The implication was that Mr. Snyder would no doubt feel this Government's obligation sufficiently to make it unnecessary to bother the Ambassador.

(Secretary Schwellenbach's proposal would immediately affect approximately 20,000 workers whose contracts have already expired, and the number would grow daily until December 3, when the railroad workers are to have the use of all available transportation equipment in Mexico for a two-week period. It would undoubtedly mean the retention in camps of most workers for at least a month and for a longer period in most cases.)

811.504 Mexico/11-2645

The Mexican Ambassador (Espinosa de los Monteros) to the Secretary of State

[Translation]

No. 9126

The Ambassador of Mexico presents his compliments to His Excellency the Secretary of State and permits himself to refer to certain aspects of the problem imposed by the impossibility of immediately repatriating Mexican workers contracted for employment in the United States during the period of the war emergency.

A considerable portion of these workers have been obliged to remain in the United States even after the termination of the period of their contracts precisely because of the impossibility of their being transported to Mexico. The winter now obliges them to use clothing adequate for the cold and, as this concerns individuals without resources, the Embassy will appreciate it if the Department of State will explore the possibility that such clothing be supplied them so that they can continue working until the day when they are transported to Mexico.

Moreover, the Embassy considers it indispensable that the agencies of the United States Government with jurisdiction over the problem exercise strict vigilance over the respective camps in order to insure that these are provided with appropriate heating.

Lastly, the Embassy will also appreciate it if the Department of State will ascertain if it is possible to assign some trains, formed of American equipment, to the transport of workers from those places in which the difficulties have presented themselves in most serious form to the places of contract in Mexican territory. The Department of State knows of the efforts which have been made and which are being made in Mexico to solve this difficult problem of transportation. Whatever assistance the Government of the United States can render to expedite the repatriation of these individuals, whose contribution to the war effort has been of so much importance, will be deeply appreciated by the Mexican Government.

WASHINGTON, November 26, 1945.

811.504 Mexico/12-3145

The Secretary of State to the Mexican Ambassador (Espinosa de los Monteros)

WASHINGTON, December 10, 1945.

EXCELLENCY: I refer to the Agreement of April 29, 1943 between the Government of the United States and the Government of Mexico for the temporary migration of Mexican workers to the United States

for employment during the war emergency, and to discussions held in the Department of State on December 7 and 8, 1945, between His Excellency Francisco Trujillo Gurria, Mexican Minister of Labor; the Honorable Señor Don Rafael de la Colina, Envoy Extraordinary and Minister Plenipotentiary of Mexico; other representatives of the Mexican Government; and representatives of the Department of State and the Office of Defense Transportation of the United States, regarding the repatriation of Mexican railroad workers.

It was first pointed out in the discussions that the repatriation of Mexican agricultural workers, in the United States under an Agreement of April 26, 1943, is now current with contract expirations and that all such workers, except a small number who have signed renewal contracts for that purpose, had been moved out of States of the cold zone of the United States and returned to Mexico, or transferred to employment in the southwest. It was consequently agreed that all available transportation in Mexico for the movement of returning workers should be made available for a fifteen-day period to repatriate those workers of the 38,072 railroad workers in the United States as of December 1, 1945, whose contracts have expired or are expiring as follows:

Expirations of contracts of railroad workers.	
Already expired as of December 1	22,000
December	6,000
January	5,100
February	4,972
Total	38,072

The Mexican representatives having then strongly stressed the desirability and necessity of effecting the rapid and orderly repatriation of these workers, especially from the northern States in the cold zone, it was mutually agreed that the following plan, designated as plan no. 1, would be cooperatively carried out by the appropriate agencies of the two Governments and the employing railroads, as set forth therein:

PLAN NO. 1.—REPATRIATION SCHEDULE OF MEXICAN RAILROAD WORKERS

<i>Date</i>	<i>Carry-over</i>	<i>Expirations</i>	<i>Repatriations</i>	<i>Balance Forward</i>
12/1	22,000		Dec. 1-20	4,000
December		6,000	*Dec. 20 to Jan. 5	<u>12,000</u> 12,000
1/5	12,000		Jan. 6 to Jan. 31	<u>8-10,000</u> 9,100†
January		5,100	Feb. 1 to Feb. 28	<u>12-15,000</u> 2,072†
2/1	9,100		March 1 to	Balance None.
February		4,972		
March 1	0 to 2,072			

*This expedited movement is premised on the understanding that the Mexican Government will instruct the Mexican National Railways to devote all equipment presently assigned to the movement of workers to the movement of railroad workers. [Footnote in the original.]

†Lower figures used in each instance although every effort will be made to reach the larger figure. [Footnote in the original.]

It is mutually understood that in the carrying out of the above schedule the United States Employment Service, as administrative agency under the Agreement of April 29, 1943, is authorized and instructed to mobilize first those workers whose contracts have expired in the northern or cold zone States and to move from those States all workers whose contracts have expired without reference to the time elapsed since such expiration.

It is mutually understood that after the end of the fifteen-day period, available equipment in Mexico will have to be shared again with agricultural workers, which explains why the plan outlined above does not assign to the United States Employment Service, beyond January 5, 1946, the entire capacity which the Mexican National Railways presently have devoted to the movement of workers.

It was also agreed that for the welfare of the workers and in order to insure the maximum use of railroad equipment in the United States, the repatriation of workers would be by zones, beginning with the northeast States, followed by the north central States and the northwest States. However, it was mutually understood that workers could be moved out of any zone if circumstances indicated the desirability of immediate mobilization of a group of workers for special reasons, such as exceptionally severe climatic conditions or for the purpose of taking full advantage of the schedule of trains from the border to the interior of Mexico.

The Mexican representatives expressed the opinion that the above plan should be supplemented by the furnishing of additional transportation in Mexico in order that the monthly carry-over of workers be reduced from the figures indicated in plan no. 1. They therefore proposed to make available in Mexico bus or other additional transportation from Nuevo Laredo to the point of contract and requested that workers be mobilized in the United States and delivered on schedule at Nuevo Laredo, to take advantage of such transportation. The representatives of this Government indicated their willingness to cooperate in this additional movement. It was pointed out and mutually accepted that workers would have to be moved to the border for such transportation in trainloads of approximately 800 workers and that there were no facilities available at the border for their housing, making it essential that the busses provided be on hand and ready to move the entire trainload without delay. It was further agreed that the employers of the Mexican workers could not be made liable for such transportation for a sum per individual worker greater than that provided for the movement by train under plan no. 1 and for the usual subsistence allowance for a period no greater than that allowed for movement by train. With these conditions in mind, it is my understanding that the Mexican representatives advised that they would provide busses sufficient to accept a trainload of workers at Nuevo Laredo every four days, beginning December 26, 1945, and stated that the immediately successive movements would be on December 30, 1945, and January 3, 7, 11, and so forth, until further

notice. It was stressed that the delivery of workers by train at the border should be by daylight as important in the effecting of border clearances and the transfer of workers from train to busses. The representatives of this Government stressed that the delivery of a trainload of workers to Nuevo Laredo to meet this schedule required at least fifteen days of advance notice, and it was agreed that this Government would be promptly notified of any developments which made it necessary to modify this schedule in any way.

I shall appreciate your confirmation, at the earliest possible moment, of the terms of the understanding reached in the discussions under reference between the representatives of Mexico and the representatives of the United States as set forth above.

I take this opportunity to assure Your Excellency of the great appreciation which this Government has for the fine and important services which these Mexican workers have performed on the railroads of the United States during the war emergency. It has been an important contribution to the war effort of the United Nations in which our Governments have been allied.

Accept [etc.]

For the Secretary of State:

DEAN ACHESON

811.504 Mexico/12-2945

*The Acting Secretary of State to the Ambassador in Mexico
(Messersmith)*

No. 8249

WASHINGTON, December 29, 1945.

SIR: Reference is made to the Agreement of April 26, 1943 for the temporary migration of Mexican agricultural workers to the United States for employment.

Reference is also made to a telephone conversation between Mr. Sidney E. O'Donoghue, First Secretary of Embassy, and an officer of the Department on December 12, 1945, regarding the desire of the Office of Labor of the United States Department of Agriculture to send representatives to Mexico to discuss the possible contracting of additional workers for the 1946 agricultural growing season. In that conversation it was agreed that it would be inadvisable for the representatives of the Department of Agriculture to proceed to Mexico during the month of December to discuss this matter with the Mexican Government because the Christmas vacation celebrated in Mexico would begin on December 20 and would make it impossible to complete the discussions until January, and because it was doubted that the time was opportune to discuss such a program with the Mexican Government.

As a result of that conversation, it was arranged with the Office of Labor of the Department of Agriculture to address a communication to the Department setting forth the general situation in regard to the need for Mexican agriculture workers in 1946, with the understanding that you would be requested, in your discretion, to address a note to the Mexican Government informing it of the desire of this Government to contract a maximum of approximately 54,000 Mexican workers to be under actual employment at any one time during 1946. That letter has now been received and reads as follows:

"The problem of procuring agricultural labor for the planting, cultivating and harvesting of a continued large essential food crop in 1946 is still considered critical and the prospects of any major correction of this condition within the next few months appears remote.

"Because of this, the President requested and Congress has approved the extension of the foreign agricultural labor program through the calendar year 1946. As you know, a portion of this program has included the importation of Mexican agricultural workers under the Memorandum of Understanding between Mexico and the United States, dated April 26, 1943.

"Since continuing authority has now been granted for this program and it is the opinion of this office that Mexican workers will be desired, it is requested that you notify the Mexican Government that the United States wishes to continue to use agricultural workers under this Agreement and that it be considered to be operative accordingly.

"The funds appropriated by Congress will provide for a maximum of approximately 54,000 Mexican workers under actual employment at any one time. The areas and type of employment within the United States will be approximately the same as during the past year. It is proposed to carry over into the new year the 18,000 workers now under employment which would mean that the rate of recruitment and numbers desired during 1946 would be approximately the same as during this past year. Indications are now that this recruitment should occur primarily during April, May and June with the possibility of a small number prior to that time and some replacements after that period.

"Assuming that the Mexican Government will agree to a continuation of the program, it is felt desirable that representatives from this office go to Mexico City as soon as convenient to the Mexican officials and discuss with them any difficulties of the past year's operations and the desirability of making some slight modifications to the present Work Agreement to improve the administration of the program.

"Please advise this office as soon as possible of any reactions or replies concerning this continuation of the program since it is imperative that all pertinent contracts and plans be renewed on January 1, 1946 for the new year."

You are requested, in your discretion, to present this matter to the Mexican Government with a view to securing the desired per-

mission for the recruiting of Mexican agricultural workers in 1946, as outlined above. Please inform the Mexican Government that representatives of the Office of Labor will proceed to Mexico to discuss details of contracting and employment at the convenience of that Government, which, they hope, will be at the earliest possible date.

Very truly yours,

For the Acting Secretary of State:
SPRUILLE BRADEN

811.504 Mexico/12-745

The Secretary of State to the Mexican Ambassador (Espinosa de los Monteros)

The Secretary of State presents his compliments to His Excellency the Ambassador of Mexico and has the honor to refer to the Embassy's note no. 9126 of November 26, 1945, regarding Mexican workers in the United States under the Agreements of April 26 and 29, 1943, and their repatriation to Mexico.

The appropriate agencies of this Government which are charged with the Administration of the Mexican workers have advised the Department that all workers whose contracts have expired have now been removed from the cold zones of the United States, and that those who remain will be repatriated as soon as their contracts expire, in accordance with the provisions of the notes exchanged with the Embassy on December 10, 1945, providing that priority be given to the return of workers in the northern part of the United States.

The agencies, in addition, have instructed the employers of Mexican workers to make sure that the housing provided for those workers who remain during the winter months is adequate and well-heated.

As the Embassy has been informed, the return of workers to Mexico mentioned in the last paragraph of the Embassy's note under reference has progressed so rapidly that during the first few days of December, 1945, the repatriation of agricultural workers became current with contract expirations. The notes of December 10, 1945, mentioned above provided for increased repatriations of railroad workers. The schedules for the months of December and January are providing for the return of more workers than agreed upon, with the result that the repatriation of these men will be current with contract expirations within a few days.

WASHINGTON, January 7, 1946.

**EFFORTS BY THE UNITED STATES GOVERNMENT TO REHABILITATE
THE MEXICAN NATIONAL RAILWAY LINES AND TO HASTEN THE
RETURN OF FREIGHT CARS TO THE UNITED STATES**

For previous documentation on this subject see *Foreign Relations*, 1944, volume VII, pages 1234-1275. Documentation for 1945 is filed in the Department under 812.77. See also Institute of Inter-American Transportation, *The United States Railway Mission in Mexico, 1942-1946* (Washington, 1947).

**DISCUSSIONS BETWEEN THE UNITED STATES AND MEXICO CON-
CERNING OPERATING PROBLEMS OF THE PETROLEUM INDUSTRY**⁶³

812.6363/1-2645

*The American Embassy in Mexico to the Mexican Ministry for Foreign
Affairs*⁶⁴

No. 3445

MEMORANDUM

Careful consideration and study have been given by the highest authority of the Government of the United States to the Foreign Office's memorandum of September 6, 1944,⁶⁵ concerning a conversation between the President of the United States of America and the Secretary for Foreign Relations of Mexico in July, 1944, with respect to the timeliness and advisability of the exploration and exploitation by Mexico of its petroleum resources. The memorandum refers to the consideration of the possibility of a loan, on the part of the Government of the United States, to the Government of Mexico for the exploration and exploitation of Mexican petroleum resources.

With reference to the exploration, development and exploitation of the Mexican petroleum resources for commercial or other non-military use, the Government of the United States regrets to state that it has subsequently very carefully explored all aspects of the matter and has found that it is not in a position to consider a loan for such purposes. It does, however, appreciate the importance of this phase of the Mexican petroleum resources to the economy not only of Mexico

⁶³ Continued from *Foreign Relations*, 1944, vol. VII, pp. 1336-1359.

⁶⁴ Copy transmitted to the Department in despatch 22,761, January 26, 1945, from Mexico City, not printed. Ambassador Messersmith reported in this despatch that he delivered this memorandum to the Mexican Minister for Foreign Affairs (Ezequiel Padilla) on the same day. The Foreign Minister told the Ambassador that they would continue conversations on the subject immediately after the close of the Inter-American Conference on Problems of War and Peace, held at Mexico City, February 21-March 8, 1945; for documentation on this Conference, see pp. 1 ff.

⁶⁵ *Foreign Relations*, 1944, vol. VII, p. 1349.

but also to that of the United States and of the hemisphere as a whole. The Government of the United States believes that, if arrangements to this end are to be consummated, they should be carried out between the Government of Mexico and private interests. Accordingly, it has requested its Ambassador in Mexico to continue to discuss with the high authorities of the Government of Mexico the participation, on an equitable and sound basis of mutual benefit to both countries, of private United States capital and technicians in the exploration, development and exploitation of the Mexican petroleum resources.

However, with full appreciation of the vital importance to continental security of there being available for mutual and continental defense oil reserves to be used in the event of military necessity, the Government of the United States is deeply interested in the development of such reserves, and would be prepared to discuss the possibility of a loan for the exploration and development of such a reserve within Mexico. Accordingly, the Government of the United States of America has authorized its Ambassador in Mexico to discuss the possibility of the development of such reserves and the financial cooperation the Government of the United States of America might extend in this respect.

México, D. F., January 26, 1945.

812.00/3-2345

*Memorandum by the Chief of the Division of Mexican Affairs
(Carrigan)*⁶⁶

[WASHINGTON,] March 23, 1945.

It will be recalled that, with the successful conclusion of the Conference in Mexico City, a situation seems rapidly to have developed that may be of extreme seriousness. Essentially, extremists—both right and left—are making a determined attack upon the President and the Foreign Minister.

In the underlying letter of March 17,⁶⁷ the Ambassador reports that the political situation is of so serious a nature that he has concluded it would be futile at this time to continue his conversations with the Foreign Minister concerning the return of foreign oil companies into the Mexican oil industry.

⁶⁶ Addressed to Under Secretary of State Joseph C. Grew, Assistant Secretary Nelson A. Rockefeller, Special Assistant to the Secretary G. Hayden Raynor, Adviser on Petroleum Policy Charles B. Rayner, Director of the Office of American Republic Affairs Avra M. Warren, and George H. Butler and John E. Lockwood of that Office.

⁶⁷ Letter from Ambassador Messersmith to John W. Carrigan, Chief of the Division of Mexican Affairs, not printed.

There is no particular action that we can take in this matter, other than to keep a careful watch on the situation (which the Embassy is doing), and to take particular pains at this end to avoid steps which might strengthen the hands of the extremists. Mention in the latter respect may be made of the Water Treaty and its handling,⁶⁸ and of the present visit to Washington of Minister Suárez⁶⁹ of Mexico—who is one of these extremists.

812.6363/10-1345

*The Secretary of State to the Ambassador in Mexico (Messersmith)*⁷⁰

No. 8098

WASHINGTON, November 8, 1945.

SIR: Reference is made to the Department's instruction no. 6794 of December 28, 1944,⁷¹ regarding the carrying out of negotiations concerning Mexican petroleum matters. You were instructed, with respect to the interests of foreign oil companies in Mexico, to continue on the same basis as theretofore your conversations with the Mexican Government with regard to the possibility of equitable arrangements between that Government and foreign oil companies whereby the latter might participate in the development of Mexican oil economy. You were instructed that the Government of the United States will be unable to arrange for a loan by any institution of this Government in favor of the Government of Mexico or any instrumentality thereof for the development of the Mexican oil industry in its commercial phases; and finally you were instructed to say that your Government continued to be deeply interested in the possibility of the development of oil reserves in Mexico for common and for continental defense, such reserves to be, essentially, under the control of this Government; and that your Government would be prepared to discuss the possibility of a loan to explore and to develop such reserves.

It is the Department's understanding that shortly thereafter because of developments in the political situation in Mexico, you deemed it inopportune and impracticable to continue these conversations and that your opinion was later confirmed by the Honorable Manuel Tello, Acting Secretary of Foreign Relations.

The Department appreciates your reasons for desiring to defer further discussions with the Mexican Government concerning the arrange-

⁶⁸ For documentation concerning the Water Treaty signed in Washington on February 3, 1944, and the supplementary protocol signed in Washington on November 14, 1944, see *Foreign Relations*, 1944, vol. VII, pp. 1359 ff.; for texts, see Department of State Treaty Series No. 994, or 59 Stat. (pt. 2) 1219.

⁶⁹ Eduardo Suárez, Mexican Minister of Finance.

⁷⁰ A draft of this instruction, identical in wording, was approved by President Truman on October 13, 1945.

⁷¹ *Foreign Relations*, 1944, vol. VII, p. 1358.

ment with that Government for the reentry into the Mexican oil economy of foreign oil companies and approves of your decision to defer these discussions. The Department hopes, nevertheless, that a situation will develop in which you may find it opportune in the near future to reopen your conversations on this subject.

Upon further consideration of this general question, the Department has reached the conclusion that it would be preferable to withdraw that portion of your instructions directing you to take the initiative with the Government of Mexico regarding the establishment of the proposed oil reserve for use in continental defense should such use become necessary. The Department is of the opinion that it would be unsound at the present time to take this initiative. In the event, however, that the Government of Mexico should again take up with you the general subject of a petroleum loan, you are authorized to state that, while your Government regrets its inability to consider a loan for the rehabilitation or further development of the commercial phases of the Mexican oil policy, your Government would be willing to discuss the possibility of setting up oil reserves in Mexico for possible continental defense use and would be willing to consider the possibility of such technical or financial assistance as might be necessary for the establishment of these reserves. In any conversation which you may have with the Mexican Government, you will, of course, make clear that this Government is still unable to entertain any consideration of a loan for the development of commercial phases of the Mexican petroleum resources.

It is also understood that, from time to time, the possibility has arisen that some one foreign firm might reach an agreement whereby it might be granted by the Mexican Government a position of exclusive monopoly. Should such a situation come to your attention, you may, in your discretion, express to the Government of Mexico the concern of your Government and its trust that, if the participation of American or other foreign oil companies or other legitimate private interests in the Mexican oil economy again becomes a possibility, it will be upon a basis of equal opportunity for each such foreign company.

It will be recalled that, in your representations, you have not limited your conversations to participation of United States private concerns, but have also included other foreign companies. Because of the vast areas in other parts of the world in which American companies have either potential or actual interests, the Department does not wish a situation created such that it would encounter retaliatory measures elsewhere against American interests and in favor of interests of other countries, and, for this reason, it wishes once again to confirm the correctness of the approach you have used.

Very truly yours,

JAMES F. BYRNES

EXPORT-IMPORT BANK LOANS TO MEXICO FOR THE IMPROVEMENT
OF RAILWAY, ROAD, AND ELECTRIFICATION SYSTEMS

812.51/4-1045

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

[Extracts]

No. 23,909

México, D. F., April 10, 1945.

[Received April 13.]

SIR: I have the honor to inform the Department that last evening I was received by the President of Mexico ⁷² at his home in Los Pinos where we had a two hour conversation in which a number of matters were covered which will be reported upon separately. In this despatch I wish to report on the part of the conversation which pertained to loans in which the Government of Mexico has expressed an interest, from our Government, through the Export-Import Bank.

As background for what I shall be reporting in this despatch I would recall to the Department that before I left for Washington for consultation in the latter part of December 1944, the President of Mexico talked with me with regard to the needs of Mexico for loans from our Government during 1945 and for use during succeeding years. It will be recalled that on the eve of my departure for Washington the Minister of Finance, Mr. Suárez, sent me at the request of the President a memorandum ⁷³ outlining the needs of the Mexican Government for external loans and indicating that loans to a total of \$150,000,000 for use during the next three to five years would be necessary.

At the request of the President of Mexico I discussed this matter informally with President Roosevelt on December 19, 1944 and the President at that time made certain observations in connection with loans by our Government in general and with specific reference to Mexico he indicated that our Government should view with sympathetic consideration such reasonable and proper requests for loans which Mexico would need. The President requested me to discuss the matter with Secretary Stettinius ⁷⁴ and the appropriate officials of our Government. A memorandum of my conversation with the President, dated December 19, 1944, ⁷⁵ is in the files of the Department.

After the conversation with President Roosevelt, I discussed this matter of loans with Secretary Stettinius, who also expressed his sympathetic interest and his opinion that reasonable and proper requests from Mexico should be given consideration but who expressed doubt as to the advisability of so large a global amount as \$150,000,000 being

⁷² Manuel Avila Camacho.

⁷³ Memorandum dated December 14, 1944, not printed.

⁷⁴ Secretary of State Edward R. Stettinius, Jr.

⁷⁵ Not printed.

sought by Mexico at one time. In accord with the Secretary's authorization I discussed the matter with Mr. Warren Pierson, the President of the Export-Import Bank, who is fully familiar with the Mexican financial situation. I also discussed the matter with appropriate officials of the Department.

It was agreed that on my return to Mexico I could say to the President of Mexico and to the Minister of Foreign Relations⁷⁶ that while our Government would view with sympathy concrete requests for specific projects which would aid the economic development of Mexico and which were essential for Mexico's needs, I was to state that it was believed that a global request for \$150,000,000 was undesirable as it was obvious that Mexico could not use this money immediately and that for various reasons which appear in the correspondence which this Embassy has had with the Department it was not desirable for such a formal request in that sum to be made to our Government at the time. It was agreed that I should say to the President that any specific request for particular purposes would be given sympathetic consideration.

On my return to Mexico I discussed this matter frankly with the President of Mexico who, as the Department is aware, is a very understanding man. I also discussed it with the Foreign Minister; both of them were completely understanding that it would be undesirable for the Mexican Government to make any formal request for a loan in the amount of \$150,000,000 and that thought was abandoned. The President and the Foreign Minister indicated that they would like to consider with the Embassy and our Government specific requests for the more urgent projects.

The Minister of Finance, Mr. Suárez, did not discuss these matters with me and I did not discuss them with him on my return from Washington. My conversations were entirely with the President and with the Minister of Foreign Relations as the President had indicated his belief that this channel was the more desirable one he wished to follow. Mr. Suárez, the Minister of Hacienda, and Mr. Espinosa de los Monteros, the head of the Nacional Financiera,⁷⁷ both, however, did express a desire that Mr. Pierson, the President of the Export-Import Bank, come to Mexico to discuss the loans which the Mexican Government had in mind. The Department will recall that Mr. Pierson could not come because of other occupations until he came to Mexico City as an advisor on the United States delegation to the Inter-American Conference on Problems of War and Peace.⁷⁸

⁷⁶ Ezequiel Padilla.

⁷⁷ A semi-governmental financial institution.

⁷⁸ Conference held in Mexico City, February 21-March 8, 1945; for documentation, see pp. 1 ff.

I informed the President and the Foreign Minister that Mr. Pierson was in the City and would be prepared to talk with Mr. Suárez as soon as I knew the President's views on the matter. The President through the Foreign Minister indicated to me that the interest of the Mexican Government lay in three loans; one for a road program, one for rural electrification and one for the Mexican National Railways, and indicated that they would be happy to have Mr. Suárez, the Minister of Hacienda, discuss this with Mr. Pierson. I informed Mr. Pierson to this effect and he had, I believe, two conversations with Mr. Suárez, the Minister of Hacienda, during his stay at the Conference. Mr. Pierson indicated that he would give a memorandum of his conversations with Mr. Suárez to the Department. In Mr. Pierson's oral reports to me of his conversations with Mr. Suárez, I gathered that Mr. Suárez had not been very specific with respect to these matters beyond indicating that the Mexican Government desired three loans for the above-mentioned purposes. Mr. Suárez indicated to Mr. Pierson that he would take up these matters with him in Washington later.

Immediately after the close of the Conference and the departure of Mr. Pierson, Mr. Suárez, the Minister of Hacienda, had telephoned to the Embassy to state that he was leaving within forty-eight hours for New York and Washington and would like to see me before he left. When this message reached the Embassy I had left for a two day stay in Guadalajara in order to have a brief rest after the Conference and I therefore did not see the Minister prior to his departure for New York and Washington.

I have given this statement of background in this despatch in order that it may be clear that my conversations with respect to loans for Mexico have been with the President and with the Minister of Foreign Relations, as the President had indicated his desire to discuss these matters directly with the Embassy and through the Foreign Minister.

While the ostensible purpose of the visit of Mr. Suárez to the United States was for the purpose of discussing the refunding of the external debt of the Mexican National Lines and while there is no doubt that Mr. Suárez had this as one of the objectives of his trip, the principal purpose was to discuss with Mr. Pierson the matter of loans. The Department is aware of the conversations which Mr. Suárez had with Mr. Pierson in Washington and I also understand he saw several officers of the Department but I have no adequate information concerning the substance of such conversations.

In view of the fact that there is a very important political situation in Mexico ⁷⁹ which we have to keep in mind and in view of the

⁷⁹ Ambassador Messersmith was probably referring here to the increasing political pressures resulting from the approaching 1946 presidential election in Mexico.

fact that it was desirable that whatever announcement was made of such loans should be appropriately made, either by the Mexican Government in Mexico City or by our Government in Washington and not by Mr. Suárez, I brought certain important considerations of a political character to the attention of the Department. As my letters to the Department on this matter are very full, I will not enter into detail here. The Department was very understanding of these considerations, as is shown by the top secret letter of Assistant Secretary Clayton to me of March 29.⁸⁰

In this letter and in a telegram of the Department, No. 613 of March 22, 1 p. m.,⁸⁰ I was informed that the Export-Import Bank had given approval to the following loans: \$12,000,000 to \$15,000,000 for railroad equipment; \$20,000,000 for electrification; \$10,000,000 for roads in addition to the existing commitment of \$20,000,000 which has not yet been used; and \$2,000,000 additional for Altos Hornos.⁸¹ It was indicated in Assistant Secretary Clayton's letter and in the telegram under reference that the foregoing were subject to clearance with the President.

I was later informed for my confidential information that while the Department and the Export-Import Bank were in agreement that these three loans in the above-mentioned sums were desirable for Mexico and our Government was ready to extend them, that President Roosevelt had indicated that it was his opinion that only one of these loans should be granted at a time and that the question as to which loan should be granted at this time was naturally a matter for the determination of the Mexican Government. I was therefore instructed by the Department to discuss this matter with the President of Mexico in order to determine which loan he considered of the most urgent and primary importance, making it clear that only one loan could be granted at this time but that this did not involve any lack of sympathetic attitude towards the other above-mentioned specific loans.

I informed the Foreign Minister in strict confidence of the foregoing and indicated a desire to talk with the President on the matter. An appointment with the President was arranged for Friday, April 6, which the President was obliged to cancel on account of illness and I saw him last evening at 7 o'clock.

The conversation briefly in substance was as follows.

The President then went on to say that he would get in touch with Mr. Suárez, the Minister of Hacienda, by telephone today and give

⁸⁰ Not printed.

⁸¹ Mexican steel producing company.

him the following instructions. 1. He had continued with me the conversations with respect to loans and that he was understanding of the decision of our Government that only one loan could be approved at this time. 2. He wished the loan for the roads to be completed now as having the first preference and being the most important for Mexico. Mr. Suárez could proceed to complete the arrangements for the renewal of the \$20,000,000 of the \$30,000,000 credit for roads outstanding and for the \$10,000,000 additional, which we were prepared to lend. 2. [3.] He would instruct Mr. Suárez not to continue any conversations with regard to other phases of the loans. 4. He would instruct Mr. Suárez that there was to be no publicity whatever with regard to these loans and that he was not to make any statement of any kind for publicity with regard thereto. 5. Mr. Suárez could remain in the United States until he had completed the paper work in connection with the renewal of the \$20,000,000 credit and the \$10,000,000 additional loan for roads or he could return to Mexico and later return to complete the paper work.

In view of the fact that the President had indicated that he would convey appropriate instructions to Mr. Suárez in Washington today, I deemed it advisable to convey the President's decision with regard to the road loan to the Department by telephone instead of by cable and I therefore gave the substance of my conversation with the President to Mr. Carrigan over the telephone and the memorandum of the statement to Mr. Carrigan is transmitted herewith.⁵²

I shall inform the Minister of Foreign Relations, Dr. Padilla, today of my conversation with the President.

I may say that the conversation with President Avila Camacho last evening has more than ever convinced me of the importance of our dealing with Mexico in this matter of loans in the most sympathetic and understanding manner. The President in his conversation yesterday showed an understanding of all factors involved in this problem, both so far as we are concerned and so far as Mexico is concerned, which is most unusual. Mexico has during the four years of his Presidency taken very important and constructive steps in the financial field and in the reestablishment of her internal and external credit. With respect to loans, both internally and externally, she has shown a very sound and constructive policy. She has kept her internal and external loans to a minimum and it is in many ways extraordinary to an informed observer what Mexico has been able to do during these last four years through the constructive use of public funds. For us not to recognize this constructive attitude which

⁵² Memorandum of telephone conversation with John W. Carrigan, Chief of the Division of Mexican Affairs, not printed.

Mexico has taken and the meticulous manner in which she has met her obligations, and the sound manner in which she is proceeding, would, I believe, be most unwise on our part.

Respectfully yours,

GEORGE S. MESSERSMITH

812.51/4-1245

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

No. 23,978

MÉXICO, D. F., April 12, 1945.

[Received April 17.]

SIR: I have the honor to refer to my despatch No. 23,909 of April 10, 1945, covering a conversation with the President of Mexico on the matter of loans from the Export-Import Bank for Mexico. It will be recalled that in this despatch I informed the Department that in a conversation with the President of Mexico, he had indicated to me that the preference of the Mexican Government for a loan at this time, since only one loan could be approved by us at this time, would be for the renewal of the twenty million dollar credit for road construction which is still standing, and an additional ten million dollars. It will also be recalled that the President of Mexico indicated that he would convey the necessary instructions to the Minister of Hacienda, Mr. Suárez, now in Washington, to the effect that he could conclude appropriate arrangements for the renewal of the twenty million dollars and the granting of a ten million dollar additional credit for roads.

I have to refer in this connection to the telephone conversation which Mr. Carrigan of the Department had with me in the early morning of April 12, to the effect that Mr. Suárez had informed the appropriate authorities of our Government in Washington that he had received a message by telephone from the President of Mexico to the foregoing effect but that he, Mr. Suárez, after conversation with the President, had succeeded in having the President change this request for a loan for the Mexican National Lines for new equipment. Mr. Carrigan informed me that Mr. Suárez had informed the appropriate authorities of our Government that, in accord with this conversation with the President of Mexico over the telephone, he therefore wished to have remain available the twenty million dollars for roads, which credit is outstanding and available, and in place of asking for any additional money for roads at this time, to ask for the twelve million dollars to fifteen million dollars for railway equipment. According to the statements Mr. Suárez made to our authorities, he

had convinced the President that, all things considered, the railway loan was the most important and immediate at this time.

Mr. Carrigan said that he had been informed by the Export-Import Bank that the papers were ready for signature in the matter of the railway loan and that in view of the instructions which Mr. Suárez had received from the President of Mexico, it was intended to proceed with the signature of the documents in the matter of the railway loan on the afternoon of April 12, unless I saw objection thereto.

I told Mr. Carrigan that, in view of the fact that Mr. Suárez was the Minister of Hacienda of Mexico, and as he had informed the appropriate authorities of our Government that he had these specific instructions from the President of Mexico, subsequent to my conversation with the President, there was no reason to believe that the President of Mexico had not given these instructions to the Minister of Hacienda, and that under the circumstances, I saw no reason why the signature of the documents in connection with a loan for the railways should not proceed on April 12 as planned. Mr. Carrigan stated that under these circumstances it was planned to proceed with the signature of the appropriate documents that day.

In view of the fact that I had informed the Minister of Foreign Relations, Dr. Padilla, of my conversation with the President reported in my despatch No. 23,909, and of the President's preference for an increase in the road loan, I thought it advisable to immediately inform the Foreign Minister of this development brought to my attention by Mr. Carrigan, and I therefore called on the Foreign Minister at his home early in the morning of April 12, following the conversation with Mr. Carrigan. I did this in view of the fact that I knew that the Foreign Minister was scheduled to have his weekly meeting with the President at noon of that day. The Minister expressed his appreciation of my bringing this matter to his attention and said that in view of the instructions given by the President to the Minister of Hacienda, it was of course entirely proper to proceed with the conclusion of the railway loan instead of the additional ten million dollars for roads at this time.

I have not seen the President since the conversation reported in my despatch No. 23,909, and so do not have any further information as to the reasons why he changed the decision which he communicated to me in the conversation reported in that despatch.

Respectfully yours,

GEORGE S. MESSERSMITH

812.51/6-2245

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

No. 24,997

MÉXICO, D. F., June 22, 1945.

[Received June 26.]

SIR: I have to refer to conversations which I have had during the course of this year with the Department and with the Export-Import Bank with reference to loans desired by the Mexican Government. I do not make reference to the specific despatches in the Department on this matter as they are readily available in its files.

The Department is aware that as a result of conversations which I had with the President of Mexico and with the Foreign Office and later with the late President Roosevelt, Secretary Stettinius, and officers of the Department, and with the Export-Import Bank, the requests of the Mexican Government for loans were fully set forth. A loan was desired for the purchase of railway equipment in the United States for the Mexican National Lines; a further loan for road construction; and a loan for rural electrification.

The Mexican Government expressed a preference that the loan for railway equipment to be purchased in the United States be considered first. As a result of conversations in Washington between the Minister of Hacienda of Mexico, Licenciado Suárez, and Mr. Espinosa de los Monteros of the Nacional Financiera, with the Export-Import Bank a credit of 15,000,000 dollars was extended to the Mexican Government through the Nacional Financiera, the proceeds to be used for the purchase of new equipment in the United States for the National Railway Lines of Mexico. This loan has been completed and the credit is available to the Mexican Government. I may say that this Embassy considers this loan as a sound loan in every respect and a wise one for our Government to extend through the Export-Import Bank.

The Mexican Government indicated that next in preference for consideration was the road loan. It will be recalled in this connection that in 1941, the Export-Import Bank had extended a credit to the Mexican Government in the amount of 30,000,000 dollars to be used at the rate of not more than 10,000,000 dollars a year. The Mexican Government has used 10,000,000 dollars of this credit. Owing to the more favorable position of the Mexican Treasury, the very extensive road-building program of Mexico was carried forward without calling beyond these 10,000,000 dollars on the above-mentioned credit. It may be said in this connection that Mexico has in the meantime carried forward a very well planned road construction program. The roads are well built, at reasonable cost, and the whole program has been very carefully and soundly worked out. It is to the credit of the Mexican

Government that, although it had these 20,000,000 dollars available with the Export-Import Bank, it continued this road construction program out of its own resources.

In view of the less favorable prospect for receipts by the Treasury due to the diminishing of the purchase program of strategic materials, and for other reasons which it is not necessary to go into here, the Mexican Government has found it necessary to have this recourse to further credits. It has, therefore, requested the extension of the 20,000,000 dollar unused credit and an additional 10,000,000 dollars. This Embassy gave its strong approval to favorable consideration by our Government and of the Export-Import Bank to the granting of these credits. I am now in receipt of a letter from Mr. Wayne Taylor, the President of the Export-Import Bank, dated June 16, of which a copy is attached hereto (Enclosure 1).⁸⁴ In this letter Mr. Taylor states that the Export-Import Bank has decided to renew the 20,000,000 dollar unused credit making it available until December 31, 1946. Mr. Taylor states that the Bank has also approved an additional credit of 10,000,000 dollars, the proceeds of which are to be used for the purchase of road-building equipment and machinery and supplies in the United States.

During a conversation with the President of Mexico on June 20, I informed him of the substance of Mr. Taylor's letter of June 16, and he expressed his very real appreciation of the consideration given this matter by our Government and the Export-Import Bank. He expressed full appreciation of the fact that the 10,000,000 dollar additional credit is extended by the Bank for the purchase of road-building equipment, etc., in the United States. I also explained to him the reasons why the rate of interest was now increased from 3.6% to 4%. The President was particularly appreciative that no restrictions were placed upon the 20,000,000 dollars which represent the renewed credit. I should like to say in this connection that I think the action of the Export-Import Bank in renewing the 20,000,000 dollar credit without restriction was wise and sound and will find its understanding in a favorable reflection in our relationships with Mexico.

[Here follows report on arrangements for signing road-credit loan agreement with Export-Import Bank in Washington and comment by the Ambassador on additional, later loan for rural electrification.]

I wish to express to the Department and to the Export-Import Bank the appreciation of this Embassy for the sympathetic and understanding manner in which the credit for railway equipment and for road construction has been considered. I consider that the action of the Department and of the Bank is a further measure in the consolidation of our relationships with Mexico. The understanding and

⁸⁴ Not printed.

sympathetic manner in which the Bank has handled these requests is deserved by the performance of Mexico in recent years in reestablishing her credit and her financial situation, and we have gone a long way in consolidating our situation by our action. The Export-Import Bank has been and is, I believe, going to be one of the most effective instruments which we have to implement and consolidate a constructive foreign policy, and the constructive and sympathetic manner in which the Bank has handled its operations with Mexico has strengthened the prestige of our country in many ways.

Respectfully yours,

GEORGE S. MESSERSMITH

812.51/12-745 : Telegram

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

WASHINGTON, December 7, 1945—7 p. m.

1815. Wayne C. Taylor Pres Eximbank and Antonio Espinosa de los Monteros Mex Amb to US announced following to press Dec 7.

Signing of loan agreement⁸⁵ providing for line of credit \$20,000,000 to assist in financing purchase in US of equipment materials and services to be used in connection with a broad electrification program in Mex. Program will be carried out by Comision Federal de Electricidad an agency of Mex Govt in cooperation with Nacional Financiera a semigovernmental Mex financial institution both of which are parties to agreement in addition to Govt Mex.

Equipment materials and services eligible for financing under credit may be financed up to their cif⁸⁶ cost Mex port of entry.

Credit may be utilized at any time prior to Jun 30, 1948. Advances under credit will be repaid in 40 approximately equal semiannual installments. Interest will be at rate of 4% per annum.

Advances under credit will be secured by assignment of revenues derived from specified taxes on consumption of electrical energy in Mex as well as by unconditional guaranty of Govt Mex.

At the signing of loan agreement the Mex Amb and Taylor expressed mutual satisfaction over the continuing financial cooperation between Mex and US in promoting development of economic resources of Mex and thus facilitating trade between the two countries. It was pointed out that Eximbank has authorized credits to Mex since 1941 totalling almost \$94,000,000 including the new credit of \$20,000,000. These credits have been principally for highway construction and for purchase in US of gasoline refinery equipment railway equipment steel mill equipment and in the present case electrical

⁸⁵ Agreement signed at Washington December 7, 1945.

⁸⁶ Cost-insurance-freight.

equipment. Of total amount of credits authorized approximately \$17,000,000 have been utilized and approximately \$4,000,000 repaid. Outstanding advances are therefore \$13,000,000. Credits which may still be used amount to \$77,000,000.

BYRNES

DISCUSSIONS BETWEEN THE UNITED STATES AND MEXICO REGARDING MEXICAN IMPORT RESTRICTIONS AND TRADE AGREEMENT REVISION ⁸⁷

812.24/11-1644

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

No. 6863

WASHINGTON, January 12, 1945.

SIR: Reference is made to the long-range commercial policy aspects of the Embassy's despatch no. 21382 of November 16, 1944 ⁸⁸ in which are presented its comments with respect to prospective action by the Mexican Government to broaden the scope of its present import controls for the protection of Mexican industries in the post-war period. The Department appreciates this full and frank expression of the Embassy's views as well as its diligent efforts to keep this Government's views regarding import controls before appropriate Mexican officials.

Because of the apparent direction of Mexican commercial policy at present, the Department believes that additional steps are imperative at this time in an effort to delay or forestall further action by the Mexican Government toward more stringent import restrictions. To that end, if no objection is perceived, you should discuss the matter informally with appropriate Mexican officials along the lines indicated in the following paragraphs.

As a signatory of the Declaration by United Nations,⁸⁹ the Government of Mexico has subscribed to the program of purposes and principles set forth in the Joint Declaration made on August 14, 1941 by the President of the United States of America and the Prime Minister of the United Kingdom, known as the Atlantic Charter.⁹⁰ In Article VI of the Mutual Aid Agreement between the United States and Mexico, which was signed on March 18, 1943,⁹¹ the Government of

⁸⁷ For previous documentation on efforts by the United States to forestall increases in Mexican import restrictions, see *Foreign Relations*, 1944, vol. VII, pp. 1213 ff.

⁸⁸ *Foreign Relations*, 1944, vol. VII, p. 1231.

⁸⁹ For text of the Declaration by United Nations, signed January 1, 1942, see *Foreign Relations*, 1942, vol. I, p. 25.

⁹⁰ For text, see *Foreign Relations*, 1941, vol. I, p. 367.

⁹¹ *Foreign Relations*, 1943, vol. VI, p. 397.

Mexico indicated its willingness to work toward the attainment of the economic objectives of the Atlantic Charter. This Government feels very strongly that if those economic objectives are to be attained, it is highly important that no action which would be contrary to them should be taken now by any government, pending the outcome of the conversations designed to implement them which are provided for in Article VI. The Government of Mexico, in that Article, also indicated its willingness to join with this Government in agreed action directed to the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers.

In that connection, the Department is considering informing the Government of Mexico in the near future of its readiness to enter into preliminary exploratory discussions, on the expert level, with respect to a program of action which would accomplish the objectives outlined in Article VI. Discussions would be concerned with commercial policy, including tariffs, quantitative trade restrictions, exchange control, subsidies, preferences and state trading; commodity agreement policy; and cartel policy. Conversations of a similar nature have been held and are being held with representatives of other governments pursuant to provisions of lend-lease agreements corresponding to Article VI of the agreement between the United States and Mexico.

In your discretion as to time and circumstances, you should convey the substance of the foregoing informally to appropriate officials of the Mexican Government and ascertain whether officials on the expert level would be available and disposed to undertake the discussions. You should reiterate strongly this Government's hope that no measures designed to increase barriers to trade will be considered by Mexican authorities pending the outcome of the contemplated conversations.

Very truly yours,

For the Secretary of State:
W. L. C[LAYTON]

612.003/2-245

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

No. 22,871

MÉXICO, D. F., February 2, 1945.

[Received February 7.]

SIR: I have the honor to refer to the Department's telegram No. 102 of January 18, 1945,⁹² relative to a scheduled increase in certain Mexican import duties as fully reported upon in this Embassy's airgram No. 33 of January 4 and despatch No. 22,299 of January 6.⁹³

⁹² Not printed.

⁹³ Neither printed.

The Department, in the instruction under reply, states that the Embassy, unless it perceives some objection, is to discuss informally with the appropriate Mexican officials the possibility of undertaking preliminary exploratory conversations designed to consider the implementation of the economic objectives of Article IV of the Mutual Aid Agreement, mentioned in the Department's instruction No. 6863 of January 12 and, at the same time, to emphasize the hope of our Government that the Mexican Government will postpone the adoption of the scheduled duty increases and of any other measures designed to impose further burdens on international commerce, at least until there has been an opportunity for consideration of the inter-governmental discussion.

As the Department has assumed in its telegram No. 102 of January 18, the Embassy has not yet discussed with the Mexican officials the postponement of the effective date of the scheduled tariff increases as reported in the Embassy's airgram No. 33 above mentioned.

A full discussion of the Department's telegram No. 102 of January 18, as well as of its instruction No. 6863 of January 12, has been held and the matter has been gone into from every point of view. The Counselor of the Embassy⁹⁴ and the Economic Counselor⁹⁵ participated in these discussions with me, for the matter has political as well as economic implications. The result of these considered discussions was that we were all in agreement that it would be unwise to ask for a postponement of the specific tariff increases in question at this time, for the following reasons.

(1) It was just about a year ago that, at the request of the Secretary of State,⁹⁶ I spoke to President Avila Camacho and the Foreign Minister⁹⁷ with the purpose of securing a cancellation of the proposed increase in Mexican import duties on some 600 or 700 products. Mr. Suárez, the Minister of Finance, had carefully prepared the tariff increases for the purposes of both revenue and protection to domestic industry. When President Avila Camacho instructed him, as a result of my conversations with the President and with the Foreign Minister, to cancel the decree placing the increases into effect, the Minister of Finance, Mr. Suárez, was naturally not happy, and this resulted in a certain difference of opinion between the President and the Minister of Foreign Affairs on the one side, and the Minister of Hacienda, Mr. Suárez, on the other side. The Minister of Hacienda has not forgotten the action which this Embassy and our Government took at that time, and it is quite obvious that if we approach the high officials of the Mexican Government in order to secure a postponement of these limited increases, we would be precipitating a serious situation within the Mexican Government. Although the

⁹⁴ Herbert S. Bursley.

⁹⁵ Thomas H. Lockett.

⁹⁶ Cordell Hull.

⁹⁷ Ezequiel Padilla.

President and the Foreign Minister would be entirely understanding of our point of view, and I am inclined to think in agreement with it, even with regard to this limited number of increases, the internal situation in Mexico is such that I do not believe that the President and the Foreign Minister could insist on the postponement of these increases going into effect. One thing I am sure of, and that is that the Minister of Hacienda would practically make it a question of his resigning if he were asked to postpone the effective date of these limited increases. Because of the foregoing reasons alone, given in this paragraph (1), I am of the opinion that we cannot at this time precipitate what would be a serious internal situation in Mexico and within the Mexican Government as a result of our request for such postponement.

(2) The information given in the preceding paragraph is all the more important in view of the fact that the Embassy has studied with the greatest care the specific tariff increases reported in the Embassy's airgram No. 33, and has found that they do not contravene any provisions of the trade agreement,⁹⁸ and that the increases are justified, if there is any justification for the existence of protective tariffs. The industries given protection are producing goods in sufficient quantities to supply in a large measure the domestic market. Mexican public opinion would support the Minister of Hacienda in establishing these increases and in maintaining them, and our Government would be subjected to the most bitter attacks for having endeavored to get a postponement or annulment thereof. From the economic as well as from the political point of view we would be open to such serious attack at a most inopportune moment, and from the other despatches and letters of this Embassy, the Department will be aware of the importance in our own interest of not precipitating any such situation as that, in Mexico, for there is no doubt that any step which we might take in asking a postponement of these increases would be seized upon by enemies and even our friends here would be in a difficult position to defend us or to understand our approach. I am not going into the internal political considerations in Mexico which are of such vital importance to us at this time, and immediately preceding the conference of Foreign Ministers,⁹⁹ and in a pre-presidential-election year in Mexico, as I have covered these problems in other reports and letters to the Department.

(3) Should the President or the Foreign Minister, or both, take any action towards the postponement or cancellation of the proposed tariff increases, the Embassy believes that the answer would in any event have to be in the negative because of internal considerations in Mexico and because of the powerful influences of the groups interested in obtaining this limited protection. The Minister of Hacienda, Mr. Suárez, is already bitterly complaining that the different departments of the Government are constantly requesting the Treasury for additional funds, but that at the same time they are continually re-

⁹⁸ Reciprocal Trade Agreement, signed at Washington December 23, 1942. For documentation concerning this agreement, see *Foreign Relations*, 1942, vol. VI, pp. 489 ff.; for text, see Department of State Executive Agreement Series No. 311, or 57 Stat. (pt. 2) 833.

⁹⁹ The Inter-American Conference on Problems of War and Peace, held at Mexico City, February 21-March 8, 1945; for documentation, see pp. 1 ff.

sisting and thwarting his proposals through which he attempts to obtain additional revenue in order to meet these requests and the requirements of the Mexican Government. In addition to this, the Ministry of Hacienda would undertake a campaign in the press in order to show the importance of these tariff increases for the maintenance of Mexican industry which is legitimate in every respect and which is not of mushroom character. I can conceive of nothing more disastrous for us than to precipitate such a situation in Mexico, for while it is well understood in Mexico that our tariff policy in recent years has changed, it is equally understood that we still maintain tariffs not only for revenue purposes but also to maintain the existence of certain industries in our country against what we consider competition which would interfere with our standard of living.

(4) If I were to take up this matter, I would have to take it up not only with the President but with the Foreign Minister, and the Department is aware that this would precipitate for the Foreign Minister an internal situation in Mexico at a time when the prestige of the Foreign Minister in Mexico as well as in the other American Republics is of the most primary importance to us. We could not possibly take the risks which are involved in such action at this time, and it would not only be a risk but an absolute certainty.

Besides this, there is no question but what the answer of the Mexican Government would have to be negative to any such approaches which I would make.

There is much that could be said on the political and economic aspects of this matter, but I will not go further into the situation at this time with respect to the particular telegram, for I believe that the information which I have previously transmitted to the Department and which is contained in confidential letters to the Department will more than be sufficient, in addition to the foregoing brief statement.

With reference to the Department's instruction No. 6863 that the Embassy informally discuss with Mexican officials the possibility of undertaking preliminary exploratory conversations designed to consider the implementation of the economic objectives of Article VI of the Mutual Aid Agreement, I am preparing a separate despatch¹ on this subject.

I am inclined to believe that this instruction No. 6863 of January 12 was prepared in the Department on the basis of our general principles, not having in mind specifically that there will take place a meeting of American States collaborating in the war effort, in Mexico City in February. As all kinds of questions of an economic character will arise during this Mexico City meeting, I think it would be particularly unfortunate for me to have to raise this question with the Mexican authorities before the meeting. I am, however, as already indicated, writing a separate despatch on this matter to the

¹ Despatch No. 23,055, February 11, 1945, not printed.

Department, as there [are] some very controlling and important factors which have to be considered in connection with the Department's instruction and the present timeliness of such conversations.

These two instructions of the Department under reference in this despatch are of primary importance as this Embassy fully realizes, but it has felt it necessary to present the situation as it must be viewed from here and from the point of view of our interests. In my despatch replying to the Department's instruction No. 6863 of January 12, I will go into this matter even more fully.

Respectfully yours,

GEORGE S. MESSERSMITH

612.003/12-1345

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

[Extracts]

No. 27,658

MÉXICO, D.F., December 13, 1945.

[Received December 18.]

SIR: I have the honor to refer to correspondence during the course of this year with the Department on the Trade Agreement between the United States and Mexico and on the decree of April 15, 1944, published in the *Diario Oficial* of May 12, 1944, under which the Ministry of Hacienda is authorized to place, in its discretion, certain articles under import control license. I have to refer specifically to the airgram of this Embassy No. A-3157 of December 5, 1945,² in which we informed the Department that there was published in the *Diario Oficial* for that date a further list of commodities which are placed under import control and under the decree of April 15, 1944. Specific reference is also made to the telegram of this Embassy of December 7³ in which I informed the Department that I had discussed fully on the evening of December 6 the new circular. Specific reference is also made to report No. 537 of December 8, 1945, entitled "Comments on the Motives and Effects of the Mexican Import Control Measures of December 5, 1945",² and which is a full statement of the 74 items added to the list by this last circular, with analysis of each item.

During the course of the current year, in comprehensive despatches and informal letters which are too numerous to enumerate by number and date in this despatch, I brought out the dissatisfaction in some Mexican official and business circles with respect to the Trade Agreement. I brought out the fact that industrial development had

² Not printed.

³ Telegram No. 1295, December 7, 1945, 6 p. m., not printed.

taken place in Mexico on a considerable scale during the period of the war, and that this industrial development was partially stimulated by the inability of Mexico to secure certain products from the United States during the course of the war, in spite of the efforts which we made to give the Mexican economy the basic goods which it needed, and was also stimulated by the increasing desire there is in this country to develop local industry, in which desire Mexican initiative has been aided by the initiative of American industries desiring to participate in industrial production in Mexico. In these despatches I have brought out that the industrialization of Mexico, even though it was proceeding slowly and on a relatively small scale, would bring about pressures on the Mexican Government for protection of various kinds, and that the Mexican Government would not be able to withstand these pressures and would, in many cases, be actuated in the measures which it took by an altogether sound and correct desire to aid such developing industry. I further brought out in these despatches that, attached as we were to certain trading principles, and to which principles Mexico has so far given her adherence, there was no doubt in my mind that we would have to be understanding of certain actions which the Mexican Government would find it necessary and desirable to take to protect certain developing industries. In this connection, I mentioned that we would have to bear in mind, in considering any Mexican measures, the fact that we had followed exactly the same course in the United States, and that without affording a certain measure of protection to our own early developing industry, we would not have been able to develop these great industries which we now have, against altogether free foreign competition. In these despatches under reference I have endeavored, during the course of the year, to present basic considerations with respect to economic policy affecting the two countries which would have to be borne in mind if reasonable attitudes were to be assumed by both Governments and by industry in both countries.

The Department will recall that on April 15, 1944, a decree was issued by the Mexican Government, which has since been approved by the Mexican Congress, which gives the Ministry of Hacienda the power to place certain articles under import control. When this decree was issued, the Mexican Government made it clear that it was not intended to limit exports to Mexico except when such limitation might be necessary in the protection of developing Mexican industries. The Ministry of Hacienda used the powers given to it under the decree sparingly, but in the circular of September 19, 1945, a considerable number of articles were placed under import control. The circular of December 5, 1945, added some 74 items to the import

control list. The circulars issued previous to December 5, 1945, had affected only three articles in Schedule (1) of our Trade Agreement. The circular of December 5, 1945, affected sixteen items on Schedule (1) in the Trade Agreement.

This Embassy, as the Department will have noted from the despatches which we have written during the latter part of 1944 and during 1945, has been following this development with the closest interest and has been adequately reporting thereon. It will be recalled that towards the middle of 1945, the Department was informed that the Mexican Government wished to proceed with a revision of the Trade Agreement. I was informed by the Department that it was prepared to meet with the Mexican representatives for discussions to that end, and I so informed the Ministry of Foreign Relations. For the last several months, however, there has been no word from the Ministry as to when the Mexican Government wished to proceed with these negotiations and we had reason to believe that the Mexican Government had lost interest therein.

Immediately on the publication of the list of 74 articles added by the circular of December 5, 1945, we gave it careful study and on the evening of December 6, I called on the Under Secretary of Foreign Relations, Dr. Tello, as reported in my telegram of December 7, 1945. I found that the circular had already been carefully studied in the Ministry. I found that the circular had been issued without the knowledge of the Ministry. In my conversation with the Under Secretary, I went fully into the Trade Agreement, as well as the economic aspects and implications of the new list. The Under Secretary informally expressed the opinion to me that the circular appeared to be in contravention, so far as some of the items were concerned, with our Trade Agreement. In my discussion with the Under Secretary, I went not only into the Trade Agreement aspects of the circulars issued by the Ministry of Hacienda and expressed the opinion that some 19 of the items included in these circulars were in violation of the Agreement, but I also entered into the economic implications of these circulars. I said that the goods covered by the circulars were for the most part in scarce supply in Mexico and the United States. I said that prices in Mexico were already abnormally high because of these scarcities. I emphasized that, in addition to the production and procurement difficulties already existing, the result of this circular would be to further delay and make more difficult necessary importations for the Mexican industry, in many cases, particularly in the case of chemicals, for basic Mexican industries. I pointed out to the Under Secretary the very considerable efforts which my Government had made, and which had so much occupied this Embassy, to secure for the Mexican economy all these articles, so many in scarce supply and

still so, and that the result of this activity of our Government and of this Embassy had been that, to a very considerable degree, the Mexican Government had been able to receive the basic supplies which it needed. I said that I was deeply concerned with the effects which these import restrictions would have, as they would tend to increase these scarcities in Mexico and place new difficulties in the way of procurement and that the only consequence could be further increases in prices in Mexico and greater accentuation of scarcities. I did not hesitate to say to the Under Secretary that if the Mexican Government by its own action placed difficulties in the way of the procurement of essential articles for its economy, it could hardly be expected that this Embassy or the officials of our Government in Washington would continue to have the same interest in getting for Mexico those essential articles which it needed. I said that the scarcities in most commodities were still so great, and would continue so for the next year or more, and the United States would remain the principal source, that any lack of interest on the part of our manufacturers in supplying orders from Mexico would certainly work to the disadvantage of the Mexican economy. I said that manufacturers had so many orders on their books that they far exceeded the possibilities of supply, and that if too many difficulties were placed in the way of export to a particular country, it was the most natural thing in the world that exporters might lose interest in a market, at least temporarily, in which so many difficulties were placed in the way.

There is no doubt that these and other considerations which I brought to the attention of the Under Secretary deeply impressed him, for he is a man of great understanding, and he said that he would immediately bring these considerations to the attention of the Minister.⁵

After the foregoing conversation, I was requested by telephone by Under Secretary Tello to be in the Ministry on December 11, at five o'clock in order that the Minister, Dr. Castillo Nájera, and the Minister of Hacienda, Mr. Suárez, could discuss the whole matter with me.

I met with Dr. Castillo Nájera and Mr. Suárez the afternoon of December 11 at five o'clock and the conversation continued during more than two and a half hours. There was the most frank exchange of views and on a friendly basis, but many aspects of the whole problem were gone into in the most frank and complete manner. It is obviously impossible in this despatch to give a full statement of the substance of so long a conversation and I shall therefore in this despatch confine myself to giving to the Department the major aspects

⁵ Francisco Castillo Nájera.

of this conversation, which, in view of some of the statements made by Dr. Castillo Nájera and Mr. Suárez, were most important, as basic attitudes of the Mexican Government were set forth.

The conversation was opened by Mr. Suárez, who entered into a long statement of conversations which he had had with the late President Roosevelt and former Secretary of the Treasury Morgenthau. The substance of his extended remarks in this connection was to the effect that President Roosevelt in several conversations had emphasized to him the policy of the United States of aiding and stimulating the industrialization of certain countries and particularly the industry of the other American Republics. Mr. Suárez said that when he had indicated to President Roosevelt that this policy would meet with a good deal of direct and indirect opposition by certain interests in the United States, the late President Roosevelt had replied that "our Government would know how to take care of that". He then entered into a full statement of remarks which had been made in the same sense by former Secretary of Treasury Morgenthau and spoke at considerable length of the statement made by then Secretary Morgenthau at the Bretton Woods meeting,⁶ at which Mr. Suárez was present as the principal representative of Mexico. Mr. Suárez said that Mr. Morgenthau had made formal statements there with respect to the policy of the United States Government in fostering and stimulating sound industrial development in the other American Republics.

The Minister said that the only violation of the Trade Agreement involved in the issue of the circulars would be if quantitative restrictions were placed, and these were not provided for in the circulars, which only required import licenses for the items listed. He then made the most important statement made during the whole conversation, which was to the effect that the Mexican Government, through the Ministry of Hacienda, will grant licenses for the importation of goods from the United States freely, even if the goods are on these lists. He said that if the quantity of goods brought in from the United States showed that the volume was adversely affecting a particular industry in Mexico, then the Mexican Government would find it necessary, through the limiting in the granting of licenses, to place what were equivalent to quantitative restrictions. In that case there would be violation of the Trade Agreement, if the Mexican Government did not in such case discuss the matter with us in the manner provided in the Agreement, but he wished to affirm that the Mexican

⁶ United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, July 1-22, 1944. For documentation, see *Foreign Relations*, 1944, vol. II, pp. 106 ff.

Government would follow this procedure in the Agreement and that it had no intention to violate the Trade Agreement.

At this point, the Minister of Foreign Relations, Dr. Castillo Nájera, stated that he wished to make it clear that it was the attitude of the Ministry of Foreign Relations that up to the present time there had been no violation of the Trade Agreement through the circulars of Hacienda; that the issuance of the circulars had been a matter of prevision that the Mexican Government did not wish to take any action violating the Trade Agreement, and would not do so. He expressed himself in accord with the Minister of Hacienda, Mr. Suárez, in what he had just said. He repeated that licenses would be issued freely for the importation of these goods from the United States, which goods appeared in the circulars issued by Hacienda. If the volume of such imports of a specific item rose to the degree that the Mexican industry also producing these articles was endangered and might have to shut down, then quantitative restrictions would have to be applied, through the limitation of licenses, but in that case, the appropriate steps would be taken by the Mexican Government before our own, as provided in the Trade Agreement.

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I then raised the question of the Trade Agreement conversations which had originally been raised by the Mexican Government, as I have reported in my despatches to the Department. I said that the number of items which we wished to take up with the Mexican Government was so small that it would not justify the taking up of conversations for revision, but that in view of the Mexican request, we were quite prepared to do so, and I had notified the Ministry of Foreign Relations to that effect several months ago. I inquired if this implied any lack of interest in the Trade Agreement. Dr. Castillo Nájera said that the Mexican Government was very much interested in the Trade Agreement and that he was about to send me a note saying that the Mexican Government was ready to proceed at any time and to meet the American representatives in Mexico City. I said that I was sure that my Government would be prepared to have the conversations in Mexico City, but that I thought this would be a great disadvantage all around. I said that we had our Trade Agreements machinery set up in Washington and that the burdens on our organization were so great that it was practically impossible for people to leave Washington at this time or in the foreseeable future. In any event, I was sure that it would be much more satisfactory to both sides to have the conversations take place in Washington. Dr. Castillo Nájera and Mr. Suárez consulted and they agreed that they would have no objection to the Trade Agreement conversations being held in

Washington. Dr. Castillo Nájera said that I could inform my Government that I would receive a note in a few days, to the effect that Mexico was ready to proceed and was prepared to have her representatives in Washington several weeks hence. I would be notified in a few days more also of the names of the Mexicans who were to proceed to Washington.

I recalled to the two Ministers the fears which I had expressed in previous conversations that they would be proceeding to Washington with such a long list of items that it might bring about a wrecking of the conversations. I said that I was sure they would recall that these Agreements were "reciprocal" Trade Agreements and that we had just as many people in the United States interested in getting revision of certain items as there were people in Mexico interested in certain items. I said that we had resisted these pressures at home because we were sincerely attached to these principles of liberal trade and wished to bring about as free a flow of trade as possible. I said I wished again to express the hope that the Mexican representatives would not arrive with a bag full as it would mean that we would have to let down the bars to those who were pressing us and that I thought the consequences might be a serious endangering of the Agreement which meant so much to both countries, and which I was convinced meant a great deal to Mexico.

Both Ministers assured me that they would have a relatively small amount of items to present. They would include principally items under iron and steel and manufactures thereof, chemicals, paints, bathroom fixtures, and steel furniture—in other words, items included in the circulars issued by Hacienda. I am giving this preliminary information in this respect to the Department as it may be an indication for our people who will be talking with the Mexicans as to what they may expect.

I may observe in this connection that I am confident that for a time the Mexican Government had lost interest in the Trade Agreement. I think the attitude of the President of Mexico has been the deciding factor in this matter. He is a sound man who has a good knowledge of economics and he realizes the importance of the Trade Agreement to his country as well as to our own.

I am also convinced that, having lost this interest in the Trade Agreement, the Ministry of Hacienda conceived the idea of bringing about protection through the means of these Treasury circulars and that it was their intention to limit the granting of licenses as a purely protective measure. I think it was the strong presentation which I made of this matter to the Under Secretary of Foreign Relations, and which he passed on to the Minister, which undoubtedly the Minister

passed on to the President, which brought about the interpretation of the Treasury circulars which was communicated to me in the conversation being reported upon, and in which I was assured that licenses for imports from the United States would be freely granted.

I ended my part of the conversation by saying that I wished to repeat that I thought the effect of the circulars, no matter how wisely and liberally interpreted by Hacienda, in the sense that had been conveyed to me, would result in the creation of scarcities which would tremendously increase the already high prices of many types of merchandise in Mexico and which would result in lessening the interest of American exporters in this market when they were being pressed by orders from every part of the world and from our own domestic economy, which was still half starved. I said that, as I saw it, even if a violation of the Trade Agreement was not involved in the issuance of the circulars, I did not see how the licensing system could operate adequately so as not to bring about a violation of the Agreement. I also said that I wished to state that it seemed to me that in a number of articles such as tin plate, cold rolled plate, and others, they were taking measures to limit importation of articles in which production did not yet exist and in which there was no certainty as to when production would begin. I said that the only result of such premature action could be higher prices in Mexico for many basic articles.

Both Ministers then went on to say again that the licensing system would be so administered that there could be no complaint from American exporters and that there would be no violation of the Trade Agreement, and that they were the ones primarily interested in the avoidance of scarcities.

I expressed to both Ministers my appreciation of the full and frank manner in which we had been able to discuss this matter. The Department will note from this despatch that the two Ministers and I talked very frankly, and I think perhaps this is on the whole a very good indication. The conversation was amicable and it indicated that matters of this kind could be discussed without feeling. I repeat that perhaps this, in itself, is a good indication. I have the very real conviction that the conversations which we have had recently and the things which we have been able to say will place a very real curb on the unlimited pretensions of certain individuals in Mexico, who have no regard for the interest of the Mexican economy but only for the selfish interest of their small industry. There were many things, however, said by the Minister of Hacienda of which I think we must take due note, for I think there is no doubt that Mexico is determined to protect her developing industry, and for this aspiration I have the most complete sympathy, for I believe it is in accord

with our own policy, and certainly the practice which we have always followed and which, even under liberal trading practices which we profess and practice, we cannot deny to others. The statement of Mr. Suárez that the Mexican import duties are relatively low still compared with ours, is justified. His reference also to the fact that their duty is one on weight and volume for the most part, while ours for the most part is one on value and has worked in our favor, is also worthy of consideration.

Just before the close of the conversation, Mr. Suárez said that he wished to inform me in confidence that the Ministry of Hacienda was shortly going to issue a circular increasing the duty on certain luxury articles, such as diamonds, jewelry, furs, and certain articles of porcelain, such as bibelots. He said that the duties on these articles had been fixed about twenty years ago and that, in the meantime, the price of these articles had increased tremendously. He said that the purpose of the increase of duties on a limited number of luxury articles was, first, to get further revenue for the Treasury, and, second, to bring the duties more in line with the present prices of these articles.

With respect to the Trade Agreement negotiations, it will be noted from this despatch that I am to receive a note from the Foreign Office in the next few days, indicating that the Mexican Government is now prepared to go ahead with these negotiations, is ready to carry them on in Washington, and will be ready to begin within two weeks. My own thought is that we should express a readiness to begin these negotiations immediately after the first of the year, as I see no useful purpose to be served in beginning them before the Christmas holidays. I will get in touch with the Department immediately I have the note from the Foreign Office.⁷

I had a meeting with the Economic Counselor, Mr. Bohan, the Commercial Attaché, Mr. Clark, and others of the staff intimately associated with this problem, yesterday afternoon, and I gave them a résumé of my conversation with the two Ministers, as set forth in this despatch. It was agreed that if the circulars were carried through as I had been informed they would by the two Ministers, it would be difficult for us to establish violation of the Trade Agreement. It was agreed that whether there would be violation of the Trade Agreement could best be determined by following closely the practice of the Ministry of Hacienda in granting licenses for imports from the United States. Arrangements were made so that we can follow closely this situation and that we can keep our Government and the Mexican Government informed of what appear to be failures to meet the interpretation of the circulars as it has been conveyed to me. I expressed the opinion that, irrespective of whether in the opinion of our Gov-

⁷ Action on this matter appears to have been postponed in subsequent months.

ernment the circulars themselves involved violation of the Trade Agreement, it was better for us to await developments before we make any formal protest to the Mexican Government in the sense that the circulars themselves involve a violation. It seems that this is the most prudent course to follow, in any event, and more particularly because the Trade Agreement conversations are in the near offing.

It was agreed that so far as American and Mexican importers are concerned, who may approach us on this matter, we will make no mention to them of the conversations which I have held with the Mexican Government, but that we will limit ourselves to saying that we believe that applications for import licenses for goods to be brought from the United States will be promptly and adequately acted upon, and if any importers of American goods find difficulty, they are to so inform us. The Economic Counselor and I are also in agreement that we will say to importers that they should not endeavor to build up large stocks which would cause apprehension, but that they should confine themselves to asking for licenses for their normal imports.

Respectfully yours,

GEORGE S. MESSERSMITH

**OBJECTION BY THE UNITED STATES TO MEXICAN GOVERNMENT
CONTROL OF A NEW YORK STATE COMMERCIAL BANK**

[On October 10, 1944, the Banco de México, S.A., the central banking institution of Mexico, acquired ownership and control of the Pan American Trust Company of New York, a private commercial bank operating under the supervision of the Banking System of the State of New York and of the Federal Reserve System. By instruction No. 7095 of March 3, 1945, not printed, the Ambassador in Mexico (Messersmith) was requested to inform the appropriate officials of the Mexican Ministry of Foreign Relations that the United States Government did not look with favor upon the transaction, and on April 30 at the Ministry he explained to Pablo Campos Ortiz, the Director General of Political Affairs, certain difficulties arising under the laws of the United States and of New York (Despatch No. 24,145, April 30, 1945, 812.516/4-3045). On July 6 two Mexican representatives met at the Federal Reserve System building in Washington with two Governors and other officials of the Federal Reserve Board, and with representatives of the Federal Reserve Bank of New York, the Federal Deposit Insurance Corporation, the Treasury Department, and the Department of State. At this meeting the United States officials indicated why they were asking the Banco de México to divest itself of its interest in the Pan American Trust Company (memorandum of conversation, by William G. MacLean of the Division of Mexican Affairs, July 6, 1945, 812.516/7-645). Through further correspondence and discussions it was agreed that the Banco de México would dispose of its

holdings by sale to private interests, and on August 22, 1945, S. R. Carpenter, Secretary of the Board of Governors of the Federal Reserve System, wrote to the Banco de México to express gratification that an amicable arrangement had been worked out (812.516/8-2245. In June 1946 Mr. Rodrigo Gómez, Manager of the Banco de México, informed the American Embassy in Mexico that he was confident that all the remaining shares of stock would be disposed of before August 31, 1946, the time limit agreed to with the Federal Reserve System (812.516/6-2846).]

**EFFORTS TO INDUCE ACTION ON CASES OF EXPROPRIATION OF
AMERICAN-OWNED LANDS IN MEXICO REPORTED SUBSEQUENT
TO THE CLAIMS CONVENTION OF NOVEMBER 19, 1941⁹**

812.52/5-2945

*The Acting Secretary of State to the Ambassador in Mexico
(Messersmith)*

No. 7572

WASHINGTON, June 15, 1945.

SIR: Reference is made to despatch no. 2844 of May 29, 1945,¹⁰ from the American Consul General at Ciudad Juárez, Mexico,¹¹ entitled "Audience with Governor Foglio Miramontes of Chihuahua Regarding Agrarian Affectations Involving American-owned Property Interests". It appears that the Consul General has forwarded two copies of his despatch to the Embassy for its information.

There is enclosed herewith, for your information, a copy of an instruction¹² which the Department is today forwarding to the Consul General in reply to his despatch.

This Government has consistently maintained that the recognized rules of international law and equity require the prompt payment of just compensation for American-owned property that may be expropriated. The Department is now of the opinion that henceforth as soon as you learn of any definitive expropriation of American-owned property in Mexico the Mexican Foreign Office should be promptly informed thereof, and that, at the same time, the Foreign Office should be requested to take prompt steps for the payment of adequate and effective compensation to the American owner prior to the occupation of the property.

Very truly yours,

For the Acting Secretary of State:
DEAN ACHESON

⁹ For text of Claims Convention between the United States and Mexico, signed at Washington, see Department of State Treaty Series No. 980, or 56 Stat. (pt. 2) 1347. For documentation concerning this and related arrangements of the same date, see *Foreign Relations*, 1941, vol. VII, pp. 371 ff.

¹⁰ Not printed.

¹¹ William P. Blocker.

¹² Unnumbered instruction to Ciudad Juárez, June 15, 1945, not printed.

812.52/7-1445

*The American Embassy in Mexico to the Mexican Ministry for
Foreign Affairs*¹³

MEMORANDUM

No. 4,042

From reports received from United States Consular officers stationed in Mexico, and from readings of the *Diario Oficial* and of several of the official State bulletins, this Embassy has observed that during the course of the past few years there have been a number of expropriations of land owned in the Republic of Mexico by citizens of the United States, as well as a large number of provisional dotations.

In the cases where there has been definite expropriation, it has been brought to the attention of the Embassy through several channels that the United States citizens suffering losses of this kind are not generally receiving compensation of any kind from the Mexican Government for lands so expropriated, or for dotations from their properties. The Embassy has addressed communications concerning a number of these cases to the Ministry of Foreign Relations for reference to the appropriate Mexican authorities, with particular respect to the question of adequate and just compensation to the affected land owners.

In cases where expropriations are considered necessary by the appropriate Mexican authorities, and inevitable, it is the considered belief of this Embassy, which it believes is shared by the Ministry for Foreign Relations, that without effective measures for the prompt payment of just compensation to the affected land owners, a distinctly unfortunate situation will be created.

The Governments of Mexico and the United States have settled in a definite manner a very considerable number of previous expropriations through an equitable arrangement between the two Governments. It was the thought, it is believed by this Embassy, that when this arrangement was entered into, any further cases of expropriation posterior to the arrangement would be settled by equitable and prompt compensation. The Embassy of the United States of America permits itself to express the opinion to the Foreign Office that any difficulties growing out of expropriations and dotations posterior to this arrangement between the two Governments should be foreseen and forestalled. The Embassy of the United States is concerned with the increasing accumulation of these cases which are coming to its attention. It is believed that the forestalling of such cases will further strengthen greatly the foundation already well established of the program of commercial and industrial cooperation in the immediate postwar years, as an integral part of the long-range policy

¹³ Copy transmitted to the Department in despatch 25,349, July 14, from Mexico; received July 21.

of mutually beneficial and neighborly cooperation between the Republics of the United States of America and Mexico.

There is attached to this memorandum a partial list ¹⁴ of expropriations and dotations from properties owned by United States citizens, subsequent to the 1941 agreement. The owners of the lands in these cases, with possibly very few exceptions, are not entitled to make claims for compensation under the 1941 agreement because of the recent dates of the expropriations.

In the appended list, which I ¹⁵ should like to state is partial and not complete, we have endeavored to separate the cases where the action has been a definite expropriation, and where it is of another character, such as provisional dotation.

México, D. F., July 14, 1945.

812.52/7-1445

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

[Extracts]

No. 25,464

[MÉXICO,] July 18, 1945.

[Received July 24.]

SIR: I have the honor to refer to my confidential despatch No. 25,349 of July 14,¹⁶ entitled "Transmitting Copy of Memorandum Which Will Be Left at the Foreign Office in a Few Days With Appropriate Comment and Background in Connection with Expropriation and Dotation of American-owned Lands Subsequent to the 1941 Agreement between the United States and Mexico" and to inform the Department, as indicated at the close of that despatch, that I personally left the memorandum ¹⁷ transmitted with my despatch No. 25,349, under reference, with the Acting Minister of Foreign Relations ¹⁸ last evening.

I stated to the Acting Minister that I was presenting this memorandum with the list of expropriations and dotations ¹⁹ for the following reasons.

I said that we had on various occasions informed the Foreign Office of expropriations as they came to our attention and had received acknowledgments to the effect that the matter was being submitted to the appropriate agencies of the Mexican Government. I said that to my knowledge, however, no compensation had been paid to the

¹⁴ Not printed; approximately one-half of the 34 cases on this partial list involved definitive expropriation.

¹⁵ George S. Messersmith.

¹⁶ Not printed.

¹⁷ Memorandum No. 4042, *supra*.

¹⁸ Manuel Tello.

¹⁹ List not printed.

owners of any of the expropriated lands which did not fall within the Agreement between my Government and the Mexican Government in November 1941.

I recalled to the Acting Minister that on several occasions in the last few years I have mentioned to the then Minister of Foreign Relations, Dr. Padilla, the concern of my Government and of this Embassy with regard to the increasing number of expropriations without prompt and adequate compensation being made and also to the provisional dotations which are being carried through without any definite action being taken by the Agrarian authorities of the Mexican Government and the Executive, leaving the matter in suspense and the American owners of the lands greatly incommoded and damaged. I said that in these conversations with Dr. Padilla, I had indicated our concern that a backlog of these cases was accumulating. I had mentioned the satisfactory character of the Agreement which had settled this long standing problem of land claims, etc. between the two countries and that it was my belief that both Governments were equally desirous of avoiding any further difficulties in connection with such expropriations and dotations. I recalled to the Acting Minister that Dr. Padilla had on several occasions when I spoke to him expressed complete agreement with the point of view expressed by this Embassy and had indicated that he would take up the matter with the Agrarian Department of the Mexican Government as well as with the President of Mexico ²⁰ in order to facilitate settlement of pending cases.

The Acting Minister stated that he was keenly conscious of the considerations which I had just set forth. He said that he would in his next weekly meeting with the President of Mexico bring this matter to his attention and that he could assure me that the Foreign Office was in accord with the ideas which I had expressed and would present this point of view very strongly with the President of Mexico, as well as to the Agrarian Department.

This despatch does not require any action by the Department but I wished it to know that the Consular officers in Mexico and this Embassy have been keenly conscious of this problem and of their responsibilities in connection therewith and have not failed to take the appropriate action with the Mexican authorities.

My own confidential observation would be that there is no doubt that the President and the Foreign Office have given directives in this matter but that the Agrarian Department has been grossly negligent in practically every respect. In my conversation with the Acting Minister I presented the matter very strongly as I knew this would be of

²⁰ Manuel Avila Camacho.

aid to the Foreign Office in taking up the matter with the President and with the Agrarian Department. I was careful to make it clear that we could not object to either the expropriation or the provisional dotation of properties of American citizens but that we were seriously concerned not only with the accumulating backlog of such cases but also of the manner in which they were being handled by the Agrarian Department.

I informed the Acting Minister that the next time I had the opportunity of seeing the President of Mexico it was my intention to mention this conversation reported upon to the President and asked him if he saw any inconvenience therein. The Acting Minister said that it would be very helpful if in my next conversation with the President I would again mention this matter to him but emphasize that he was also bringing it to the direct attention of the President in the immediate future.

The foregoing is for the information and background of the Department so that it may be aware of the steps which we are taking.

Respectfully yours,

GEORGE S. MESSERSMITH

812.52/7-2045

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

No. 25,485

MÉXICO, D. F., July 20, 1945.

[Received July 25.]

SIR: I have the honor to refer to my despatch No. 25,464 entitled "Copy of Memorandum Listing Recent Expropriations and Dotations of American Owned Lands Subsequent to the 1941 Agreement Submitted to the Foreign Office", and giving an account of my conversation with the Acting Minister of Foreign Affairs when submitting the memorandum. I now have to inform the Department that I saw the Acting Minister of Foreign Affairs, Dr. Tello, on other matters today, and he told me that he had just seen the President of Mexico, to whose attention he had brought the memorandum in question, as well as the observations which I had made and the recommendations of the Ministry. He said that the President had informed him that he was giving immediate instructions to the Minister of Agriculture²¹ and through him to the Agrarian Department, that immediate steps were to be taken to bring about appropriate and adequate payment for the lands already expropriated not covered by the settlement between the United States and Mexico of November, 1941.

I shall not fail to transmit to the Department any further developments in this matter.

Respectfully yours,

GEORGE S. MESSERSMITH

²¹ Marte R. Gómez.

NICARAGUA

DISCUSSIONS REGARDING ASSISTANCE BY THE UNITED STATES TO NICARAGUA IN MILITARY SUPPLIES AND TRAINING; EXTENSION OF MILITARY MISSION AGREEMENT

817.24/4-745

The President of Nicaragua (Somoza) to President Roosevelt

[Translation]

MANAGUA, December 23, 1944.¹

VERY ESTEEMED FRIEND: A request of my Government for ten thousand Springfield rifles and the necessary cartridges for them is pending in the Department of War of the United States; and I have thought that the reasons which may be responsible for the failure to reach a prompt decision, or which may be alleged for not taking favorable action, must be the recent developments which have taken place in certain Central American Republics or the idea that the purpose is to increase the armament of the National Guard.

With this in mind I am addressing you directly to request your timely intervention, which would add to the many reasons for gratitude to you which my Government has.

The case of Nicaragua, Mr. President, is very distinct from the other countries of Central America. The reign of internal peace continues unchanged in Nicaragua, and its conduct continues to be closely linked—as it will be in all circumstances—to the interests which the United States is defending in the war and to all the pacts and exigencies to which it is obligated as a United Nation.

You may have the most absolute security that the arms in the hands of the National Guard organized by officers of the American Army are in friendly hands which will do honor to the cause of democracy.

On the other hand, there is no intent to increase the arsenal, but rather one to change old rifles for new ones; and this matter has become so urgent that at least five thousand rifles are absolutely indispensable to us. This is so to the degree that my Government would return an equal number, in as much as it is interested only in the quality and not in the quantity of this type of arm.

¹ This message did not reach President Roosevelt until April 7, 1945. It was delivered on March 30 by Nicaraguan Ambassador Guillermo Sevilla-Sacasa to Acting Secretary of State Grew, who in turn transmitted it to President Roosevelt at Warm Springs, Georgia.

The disturbed history of Central America gives testimony to the constant purpose of Mexico to exercise a direct influence in the life of these countries and in the organization of their Governments as a means of separating them from the United States. There has been a recrudescence of this purpose in these last years with certain new factors involved.

This purpose of Mexico, which does not hide its repugnance for the United States, has encountered and will continue to encounter my opposition and that of Nicaragua, (which has) become a stronghold for the closest collaboration and friendship with your nation on the worthy basis of Good Neighborship.

Nicaragua is likewise a stronghold and breakwater against the communism which diligently seeks to infiltrate into Central America as an aspect of Mexican policy and as a disquieting problem for the future.

It does not escape my thoughts that sooner or later our continent will have to face the influence of Russia, and that the United States will take the leadership—as today—with the same courage and vision devoted to the defense of our future. But logically it will have to count on the cooperation of other countries, which will be in the same trench and which will share in every way its struggle and its fate.

There are thus reasons of a different nature from internal needs properly speaking, which militate in favor of the request made in this letter and which excuse yet more the calling of your attention when it is occupied with knotty problems. The National Guard, as an army watchful over the destiny of America, should without losing a sense of proportions be maintained with efficient equipment which would never be used in an inappropriate manner. It is my most earnest desire to standardize the arms of Nicaragua with those of the United States, in as much as we have the same tactics. It is to be hoped that in the future all the nations of the American continent may have the same tactics and a single type of arms in order that they may be in every sense a continental block.

I am acquainted with the fact that both General Brett of the Canal Zone of Panama and General Bartlett, Chief of the Military Mission in Nicaragua, to whom I have shown our war equipment in order that they may see for themselves the scanty material which Nicaragua has, have recommended to the War Department that the above-mentioned rifles and materials be not refused. They know that not a single rifle is in good order.

I wish to reiterate the assurances of the sincere devotion of the Nicaraguan Government and people to democracy and Pan American-

ism and repeat to you the feelings of friendship and admiration which bind them to you and your great nation.

With renewed expressions of my personal devotion I sign myself your warm friend.

A. SOMOZA

817.20 Missions/11-1744

The Secretary of State to the Chargé in Nicaragua (Finley)

No. 1489

WASHINGTON, January 29, 1945.

SIR: Reference is made to the Embassy's despatch no. 2689 of November 17, 1944,² enclosing a memorandum of a conversation between President Somoza and General LeRoy Bartlett, Jr., G.N.,³ Director of the Nicaraguan Military Academy, and Lt. Colonel Frederick B. Judson, AUS, Acting Military Attaché. With regard to numbered paragraph 2 of the enclosure thereto you are requested in your discretion to express to General Bartlett the hope that before discussing with the President matters such as the size of or an increase in the military mission, which involve the foreign policy of the United States, he obtain guidance through you from the Department of State. The Department does not wish to imply any criticism of General Bartlett's action in the present instance but feels that if in the future the procedure outlined is followed, it will result in a close and more satisfactory relationship between the Chief of Diplomatic Mission and the Military Mission.

In respect of President Somoza's desire to obtain certain rifles and ammunition, you are authorized to discuss this matter with him in strict confidence along the following lines: Such arms could be requested under Lend-Lease or could be purchased, an export license being required in the latter case. As for the former, the President will recall that the Lend-Lease agreement⁴ was signed when there was a direct threat of an attack upon the hemisphere, and that the arms were supplied for possible use in meeting that threat. However, the development of the war has been so favorable as to render such an attack improbable, and the Departments of State and War now have not only to weigh all requests for Lend-Lease armaments against the needs of the armed forces of the United Nations engaged in active combat with the enemy, but also the use to which the arms are likely to be put.

² Not printed.

³ Guardia Nacional. Colonel Bartlett, A.U.S. (Army of the United States war-time grade), held the title of General in Nicaragua's National Guard.

⁴ Agreement signed at Washington October 16, 1941; for text, see *Foreign Relations*, 1941, vol. VII, p. 410.

In the event that President Somoza indicates a desire to make an outright purchase of arms, you should point out to him that in issuing licenses for arms export similar factors would enter into this Government's consideration of any such request.

An additional important factor to be considered is the forthcoming staff conversations referred to in the Department's secret circular instruction of August 29 [26], 1944,⁵ should Nicaragua accept them. (Reference Department's airgram no. A-436 of December 23, 11:20 a. m.).⁶ Since these conversations will consider future military collaboration between the two countries, it would appear inadvisable pending their outcome to take action on requests for arms which may subsequently be subject to modification.

For your background information and for possible use in connection with any talks you may have on this subject with President Somoza, there is enclosed a copy of a memorandum of conversation⁷ between Dr. López-Herrarte, Guatemalan Chargé d'Affaires, and an official of the Department on the question of furnishing arms to Central American Countries.

It is believed that the above review of the various complex problems involved will serve to acquaint President Somoza with the Department's present policies concerning arms shipments to Central America.

Very truly yours,

For the Secretary of State:

[File copy not signed]

810.20 Defense/2-2645

The Chargé in Nicaragua (Finley) to the Secretary of State

No. 2916

MANAGUA, February 26, 1945.

[Received March 2.]

SIR: I have the honor to refer to the Department's secret instruction dated January 16, 1945 (file No. 810.20 Defense/1-1645),⁸ concerning military bilateral staff conversations, and to report that apparently Nicaragua has been selected for the first of the conversations to be held in Central America.

As a preliminary to the conversations, Colonels L. R. Besse and Harold H. Carr arrived in Managua from the Canal Zone on February 24, 1945. For the purpose of receiving honorary membership in

⁵ Not printed; for similar circular addressed on August 1 to certain diplomatic representatives in the other American Republics, see *Foreign Relations*, 1944, vol. VII, p. 105.

⁶ Not printed; it requested the Embassy's reaction to the proposal for staff conversations contained in the Department's circular of August 26, 1944 (810.20-Defense/10-1944).

⁷ Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cabot), dated December 9, 1944, not printed.

⁸ Same as instruction dated January 10, to Rio de Janeiro, p. 600.

the Nicaraguan Air Force and of being decorated by President Somoza with the Presidential Medal of Merit, a visit was likewise made to Managua on February 23-24 by Brigadier General Luther S. Smith, Chief of the Military Missions Section of the Caribbean Defense Command. I had an opportunity to discuss with the above-mentioned officers the plans which have been made with respect to Nicaragua. It appears that Colonels Besse and Carr will remain in Nicaragua for approximately a week and that they will not seek during that period to hold conversations with any high-ranking members of the Nicaraguan National Guard or the Nicaraguan Government, their mission being merely to acquaint themselves with the country and its needs. At a later date, they or others will return for the staff conversations.

In discussing this general subject with the officers mentioned, I pointed out to them briefly the situation which they will meet here. I told them that President Somoza would doubtlessly be interested in improving his National Guard by any and every means at his disposal and that any suggestions to that effect would probably be welcomed. I described to them briefly the nature of the reliance which the President places in the Guard and the role which it plays, and which it will probably continue to play in the local situation if, following the present term of office, he should continue to be—as now seems likely—the Commanding General of the armed forces of Nicaragua in a future administration.

I then went on to describe to them the manner in which American assistance was already being extended to Nicaragua in the fields of health and sanitation, education and communications. I added that it was my hope, in the all-over picture here in Nicaragua, that we should not so burden the country with armaments that they could prejudice further advances in those fields.

Colonels Besse and Carr stated that their mission—or that of the officers who eventually came here for the staff conversations—would be to determine what Nicaragua had in the way of armaments, what it wanted, and then, taking into consideration the country's budget, determine what it should have.

General Smith, with whom I discussed this matter separately, stated that it was the view of the War Department that military missions from foreign countries in the Americas should be avoided at all costs; and he thought there was likelihood of a Russian attempt to establish military missions in these countries and that there was some possibility also that Great Britain and France might seek to do likewise. He said that it is the purpose of the War Department to modernize the Nicaraguan Guard with respect to training and weapons so that it might be easily integrated into the American Army

in case of need. I pointed out to General Smith the concern which I felt as to the misuse which modern weapons might be put in countries with a revolutionary tradition like Nicaragua. General Smith replied that once the presently existing equipment had been exchanged for modern weapons, it would be for the Department of State to enter into a treaty commitment with Nicaragua in order to insure that the weapons would not be used for revolutionary purposes.

I have requested Colonels Besse and Carr to let me have a further conversation with them toward the end of their visit and after they have had an opportunity to visit Nicaragua. I likewise suggested to them the advantage which would derive from the Embassy's being informed in advance of the staff conversations just what proposals were to be made to the Nicaraguan Government and their probable cost. I said that this matter would want to be considered not only in the light of Nicaragua, but in that of neighboring countries, for it seemed unlikely that President Somoza would be willing to accept less in the way of a standing army—which was apparently the purpose—than we were prepared to give his neighbors. I said that the President would probably be disappointed, for example, if it were determined that the Nicaraguan Army were to be smaller than that, for example, of Guatemala, even though the Nicaraguan budget were smaller than that country's.

For the Department's confidential information, I may add that the officers mentioned above gave me no indication that they were really concerned with any other consideration than that of developing a modern army in Nicaragua and the extent to which the Nicaraguan budget would stand such an organization. I feel that this is a subject which merits a very careful and considered approach in view of the over-all picture and in view, particularly, of the fact that President Somoza will probably be predisposed to approve anything which will build up and strengthen the National Guard for which he has so high a regard and upon which he so heavily leans. Reference is made in this connection to the Embassy's despatch No. 2849, dated January 26, 1945,⁹ entitled, "Future of United States Military Missions".

In order that my further approach to this subject may be entirely in accordance with the Department's views, I would appreciate receiving further instruction¹⁰ in the premises in advance of the forthcoming staff conversations.

Respectfully yours,

HAROLD D. FINLEY

⁹ Not printed.

¹⁰ For the instructions requested, see instruction 33, April 16, to El Salvador, p. 1063, which was repeated to the Missions in Nicaragua, Costa Rica, Guatemala, and Honduras.

817.24/5-245

President Truman to the President of Nicaragua (Somoza)[WASHINGTON, May 3, 1945.] ¹¹

MY DEAR MR. PRESIDENT: Your letter of December 23, 1944, reached President Roosevelt at Warm Springs on April 7, and his reply was in course of preparation at the time of our great leader's tragic death.¹² To me, therefore, falls the duty of responding to your communication, which was delivered to the Acting Secretary of State by your Ambassador on March 30. The rifles and ammunition referred to in it were, I believe, first requested by your Embassy in Washington on December 17, 1943,¹³ under the terms of the Lend-Lease Agreement between the Government of Nicaragua and that of the United States.

Most careful thought has been given to the subject of your communication, taking into account the information you provide, the complex considerations involved in the participation of the United States in the United Nations war effort, and the changes in intra-Hemisphere relationships and obligations which have taken place since your letter was written.

As you will remember, the Lend-Lease Agreement was signed at a time when the Hemisphere was under a direct threat of attack from abroad. The basic purpose of the agreement was to provide arms to combat this threatened attack. The needs for arms of the American republics allied with us in the war effort were at that time carefully weighed against the demands of the armed forces of the United Nations engaged in active combat with the enemy overseas.

In the time which has passed since the signature of the Lend-Lease Agreement, the United Nations war effort has been so successful as to render remote any threat of physical attack upon the Hemisphere, while the paramount needs of the armed forces of the United Nations have not diminished but increased. As a result, the relative urgency of the needs of the other American republics for lend-lease munitions has considerably decreased. Requests for the direct purchase of arms, ammunition and equipment outside the Lend-Lease Agreement must of course be examined in the light of the same considerations as requests for lend-lease matériel.

While the increasing pressure on the manufacturing resources of the United States has made more difficult the supplying of munitions of war to the other American republics at the moment, a step has been taken which I believe will render more efficient and useful the defense forces of the latter. The strengthening of inter-American

¹¹ File copy undated; original enclosed, for delivery to President Somoza, in instruction 1572, May 14, to Nicaragua, not printed.

¹² President Roosevelt died April 12, 1945.

¹³ Note No. 1954-A, not printed.

ties which has been fostered by the present war and by the statesmanship of the Hemisphere's leaders convinced those leaders that the relationship of the armed forces of the United States to those of its sister republics should be placed upon a more integrated and cooperative basis for the future. In consequence there were initiated a series of staff conversations between the War Department and the military authorities of other American republics designed to co-ordinate the post-war military defense policies and plans of the individual republics with each other and with over-all hemispheric needs. The modifications in the Hemisphere situation brought about by the Act of Chapultepec¹⁴ will of course affect the basic strategic considerations which underlie the decisions to be made in the staff conversations. As you know, these conversations will be undertaken with Nicaragua in a very few weeks. They will embrace such topics as the standardization of equipment to which you refer, as well as the expansion of the Military Mission already requested by your Government.¹⁵ I feel that the staff conversations and the Military Mission when and as augmented will provide an unequalled opportunity for a detailed study of Nicaragua's military requirements. It will of course be a matter of prime importance in the staff conversations to plan for the most efficient possible military machine without saddling the Nicaraguan people with an unconscionable burden of expenditure.

In view of the observations set forth above, I feel you will agree that the question of supplying the specific munitions to which your letter refers should be taken up as a part of the forthcoming thorough study of Nicaragua's military needs as a whole.

My faith in Nicaragua's recognition of its natural ties with its sister republics and particularly with the United States is such that I have no fear that it will yield to pressure from within this hemisphere or from without. The United States feels that its fellow members of the United Nations have contributed worthily, each in the measure of its ability, to the common cause, and that each one merits the entire confidence of its fellow members. I am confident that the ideals which the United States shares with its sister republics have found and will continue to find the popular support which will protect them against baneful outside influences.

¹⁴ Agreement between the United States and other American Republics, contained in the Final Act of the Inter-American Conference on Problems of War and Peace, signed at Mexico City, March 8, 1945; for text, see Department of State, *Treaties and Other International Acts Series No. 1543*, or 60 Stat. (pt. 2), 1831. For documentation regarding the Inter-American Conference on Problems of War and Peace, see *ante*, pp. 1 ff.

¹⁵ Nicaraguan Note 285-P, April 17, 1945, not printed.

I have read with pleasure your expressions of solidarity and of Nicaragua's devotion to democracy, Pan-Americanism and the aims of the United Nations.

With the assurance of my highest and friendliest esteem, I remain
Sincerely yours, [HARRY S. TRUMAN]

817.20 Missions/6-1845

The Secretary of State to the Ambassador in Nicaragua (Warren) ¹⁶

No. 34

WASHINGTON, July 13, 1945.

SIR: Reference is made to your despatch no. 83 of June 18, 1945,¹⁷ regarding the desire of Colonel Bartlett to have seven United States army officers and non-commissioned officers assigned to the military mission to draw up plans for the reorganization of the National Guard.

As the Embassy is aware, the information obtained at the recently concluded staff conversations,¹⁸ in which the Nicaraguan representatives outlined a plan of reorganization and expansion of the Guard into an army of four thousand men, is now under study in Washington. Furthermore, the subject of post-war military collaboration with the other American republics is now under discussion with the War and Navy Departments. As is indicated in the Embassy's secret despatch no. 59 of June 6, 1945,¹⁷ Colonel Besse, one of the United States representatives, is considering a recommendation that the Nicaraguan army, instead of being expanded, actually be reduced. Under these circumstances, the Department does not believe it desirable to have United States officers undertake a study of the reorganization and expansion of the Guard until this Government is in a position to make final recommendations as to the size of the army and the military equipment this Government is prepared to supply to that army.

In addition, the Nicaraguan Government has recently received a form for a standard mission contract,¹⁹ which it has not as yet signed. The Department believes that additional military personnel should not be assigned until the conclusion of this agreement at which time such personnel should form a regular part of a standard United States military mission.

Sincerely yours,

For the Secretary of State:
A. M. WARREN

¹⁶ Fletcher Warren assumed charge of the Embassy in Nicaragua on May 10, 1945.

¹⁷ Not printed.

¹⁸ The conversations were held between May 28 and June 3.

¹⁹ Form transmitted with covering note of May 29 to the Nicaraguan Ambassador in Washington, not printed.

817.20/7-1845

*The Ambassador in Nicaragua (Warren) to the Director of the Office
of Latin American Affairs (Warren)*

MANAGUA, July 18, 1945.

DEAR AVRA: Let me refer to my letter of July 14, 1945, enclosing a copy of a secret memorandum ²¹ from Colonel LeRoy Bartlett, Chief of the Military Mission to Nicaragua, to the Commanding General of the Caribbean Defense Command regarding an interview which he had with President Somoza on July 12.

The President returned to town yesterday from his ranch at Montelimar. I saw him at noon today and had an hour and a half with him. There is no doubt that he has been upset and his feelings hurt by what he considers cavalier treatment on the part of our Government. Parenthetically let me say that I believe as a result of our conversation he is feeling much better this afternoon.

I discussed with the President the points mentioned in Colonel Bartlett's letter. The key to his disappointment is his failure to receive the few rifles and small amount of ammunition which he has been trying to get, as he said, for two years. I tried to emphasize our side of the story as much as required, but knowing the United States as he does, we are not going to be able to convince him that it is not possible for us to supply the small amount of rifles and ammunition desired when our productions are so stupendous and others receive other commodities in large quantities. That impression will persist despite the correctness of any facts. Were he to receive the rifles and ammunition, I feel that the other contributing causes of his discontent would soon disappear.

During part of the conversation his son, Captain Luis Somoza, Military Attaché in Washington, was present. The son told the President in my presence that the "second-hand shoes" were the result of a faulty requisition by the Nicaraguan Government. The reference to the "two old training planes costing \$8,000" both Luis and the President said should be forgotten.

I discussed at length, and I believe to good effect, his belief that the War Department was in favor of him and the State Department against him. I tried to make it clear that the State Department always is called upon to express the official views of the United States Government and that when it does express such a view, the view of the War Department or any particular officer of that Department is no longer valid. At the end of the discussion on this point he suggested, and I agreed, that hereafter should General Brett, the Chief

²¹ Neither printed.

of the Military Mission to Nicaragua, or any other official coming to Nicaragua make suggestions as to what might be done, such suggestions are not to receive serious consideration unless they are first approved by the Embassy. If this suggestion is observed, I think that we will have less trouble in the future.

This leads me to state that, after this conversation with the President, I am convinced that his attitude and misunderstanding is entirely due to the many high officials of the War Department and the Chief of the Military Mission who have talked to him and made suggestions to which he has always promptly responded. But his response has not brought corresponding action on their part.

I cannot emphasize too strongly the need for the Department and the Embassy to continue to be most careful in trying to see that officials of other Departments of the Government coming to Nicaragua understand fully that they cannot obligate the United States Government. I am sure that the other members of this staff will agree with me that the fewer such visits we have, the better. I intend, when the replacement comes for Colonel Bartlett, to have a heart-to-heart talk with him and see if he can't understand from the beginning that he must restrict his activities entirely to those provided by the terms of the contract. He should not make suggestions beyond the range of his contract.

As I have said, I cannot emphasize too strongly the thought in the preceding paragraph. However, that is not to say that we should not use United States Army and Navy personnel in military and naval missions in behalf of continental defense. If we don't supply such missions, other countries will do so. As long as the American republics are of paramount interest to us, we should see that whatever military assistance they need is supplied by the United States. We must accomplish this without allowing such missions to complicate or to interfere with the State Department's responsibility for the conduct of foreign affairs.

With regard to the last paragraph of the Department's secret instruction no. 34 of July 13, 1945, (which was received after my talk with the President this morning) I may say that the President is very much upset over the standard contract. He said that it was originally suggested to him that he pay \$5,000. He added that he voluntarily raised it to \$6,000. When Captain Somoza took up the matter in the Department and said that Nicaragua was unable to pay more than \$6,000, he had waved at him a standard form of contract with the intimation that "he could take it or leave it." The President said that if that is the way the United States treats a friend, that he would "leave it." He declared that Nicaragua is unable to

pay more than \$6,000 and that under the terms of the standard contract that sum would give him a mission of one and a fraction men. I don't know what the Department has decided with respect to the standard form of contract. If the policy decided upon precludes Nicaragua's receiving any different treatment from that accorded the other nations of Central America, I hope the Department will give me a full and succinct explanatory instruction which I can show to the President. I am not exaggerating when I say that he was very angry about this.

I want to say once more that members of this staff tell me that we have asked President Somoza for nothing that we haven't received. He prides himself on being a friend of the United States. . . . He feels strongly that he deserves better treatment than he, a friend, is getting. I believe he should have the arms and ammunition and I hope that he can get them quickly. Furthermore, I hope that if Captain Somoza returns to Washington that he can be made to feel that we are friendly toward Nicaragua.

To illustrate what may be behind Captain Somoza's and the President's dissatisfaction, I repeat an incident which the President related to me this morning. He said that Captain Somoza had gone to the Department regarding the rifles and ammunition. He had pointed out that Guatemala was to receive certain arms but that Nicaragua had gotten none. A few days later when he went back to the Department, he met Guatemalan representatives in the corridor who asked him what he had against Guatemala. They told Captain Somoza that they had been refused their arms because he had objected to their receiving them. Captain Somoza said that he had made no objection to their getting their arms. All he had tried to do was get arms for Nicaragua. Later, when Captain Somoza came through Guatemala on July 4, he saw Sr. Arbenz, who asked Somoza what he had against Guatemala. Again Somoza was placed in the embarrassing position of having to defend his action to get arms for his own country.

I would still like to have any information you can give me on the unanswered points raised by the President in Colonel Bartlett's memorandum.

This is a long message, but I believe I now have before you the main points of the situation. I want to close by saying that I have confidence in the President and think that as long as he is the President we would be foolish to make an enemy out of a chief of state who has consistently been our friend.

With kindest regards [etc.]

FLETCHER WARREN

817.20/8-945 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, August 9, 1945—4 p. m.

[Received August 10—2:18 a. m.]

416. My despatch No. 2996 of April 6²² and Department's instruction No. 25 of June 30.²³ General Brett has sought my written approval of bringing to Nicaragua from the Canal Zone a limited quantity of small arms with which to train the Nicaraguan cadets prior to their departure for Balboa.

I do not consider that the cadets should receive training in Nicaragua in the use of any arms which Nicaragua does not possess or is not soon to receive. Recent changes in our Lend-Lease policies²⁴ make it seem unlikely that Nicaragua will soon receive new weapons except, possibly, the Springfield rifles which I believe the President would buy if we were prepared to sell. In fact, one of the principal objectives of the Canal Zone trip, namely, to train the cadets in weapons which Nicaragua was soon to receive, seems to be negated by the new changes.

In all the circumstances, I believe the trip should not be cancelled but I should like the concurrence of the Dept in withholding approval of the project of bringing arms to Nicaragua at this time.²⁵

WARREN

817.20/7-1845

*The Director of the Office of American Republic Affairs (Warren)
to the Ambassador in Nicaragua (Warren)*

WASHINGTON, August 20, 1945.

DEAR FLETCH: I have read with interest your letter of July 18 and am happy that President Somoza is feeling a little better about the general situation as a result of your talk with him.

I notice that in the third paragraph you state that it would be difficult to convince the President that we cannot supply him with arms and ammunition when others are receiving them or other commodities in large quantities. The fact of the matter is that no arms and ammunition have been shipped to Central America for some time.

²² Not printed; in this despatch the Chargé (Finley) commented at length on arrangements made by General Brett for sending the cadets of the Nicaraguan Military Academy and about ten officers of the Nicaraguan National Guard to the Panama Canal Zone for three weeks' training in the use of arms not available in Nicaragua (817.20/4-645).

²³ Not printed; the Department approved the project.

²⁴ For documentation concerning Lend Lease policies, see pp. 231 ff.

²⁵ In a memorandum of August 11, attached to the file copy of this telegram, Avra Warren indicated that he brought the contents of the telegram to the attention of Brig. Gen. Kenner F. Hertford, A.U.S., who assured Mr. Warren that General Brett would be instructed not to send the weapons to Nicaragua (817-20/8-945).

Both the War Department and the State Department, however, are anxious to show our good faith in connection with the Staff Conversations by supplying in the near future at least some of the military equipment necessary to training the armed forces of the other American Republics. Naturally, only some of the items which will be necessary, are surplus at the present time; but it is planned to begin at least token shipments in the near future. However, the political situation in Central America is such that implementation there may not be possible in the immediate future.

Furthermore, Somoza has placed us in a most difficult position through his recent announcement of his intention to run for reelection.²⁶ Any arms which we might ship him at this time could only be taken by him, by the Nicaraguan public, and by the other Republics of Central America and of the hemisphere as a demonstration of our complete support of his plans. This impression would not only be erroneous but extremely embarrassing and this situation will have to receive further thought and study which will, of course, be affected by his reaction to Rockefeller's²⁷ recent talk with Sevilla-Sacasa, concerning which a telegram²⁸ was sent you recently.

In passing let me mention also that any steps which we might take to extend a loan to Nicaragua at this particular time would have the same unfortunate connotations in the eyes of hemisphere public opinion, quite apart from the fact that neither the Embassy nor the Department sees any particular economic need or justification for such a loan at this time.

I quite agree with you that many of our troubles are due to the commitments made by the representatives of the War Department, who seem to be always traveling through Central America, and hope that this aspect of the situation can be worked out up here. I certainly share your opinion as to the desirability of a heart to heart talk with Colonel Bartlett's replacement, so that his status vis-à-vis the Embassy may be entirely clear.

I have looked into the question of an agreement for a military mission. I find that the Nicaraguan Government was presented with the draft standard contract. Clearly, there must be some original basis for discussion, and the standard contract was prepared with that thought in mind. If the Nicaraguans have any comments, suggestions or changes to make, they will, of course, receive careful consideration. I consequently cannot understand where President Somoza got the idea that the contract was presented to him on a "take it or leave it" basis.

²⁶ For documentation regarding the announcement of President Somoza's reelection plans in August 1945, see pp. 1213 ff.

²⁷ Nelson A. Rockefeller, Assistant Secretary of State for American Republic Affairs.

²⁸ Telegram 288, August 7, p. 1213.

It is true that there is no mention in the standard contract of the amount of money to be paid by the Nicaraguan Government to the members of the Mission, this being left to later negotiation. However, insofar as the Department of State has had any hand in the matter, the only basis suggested has been that Nicaragua pay them the amount which is paid to an officer of corresponding grade in the Nicaraguan Guardia. No one has mentioned either the sum of \$5,000 or \$6,000 to anyone in ARA ²⁹ or to the officer of FC ³⁰ with whom the discussions in connection with the standard contract have taken place. Consequently, the State Department knows nothing of the basis for Somoza's discontent.

The standard contract does provide that the Nicaraguan Government shall pay for the transportation of the various officers, their families, household effects and automobiles. If Nicaragua is unable to do so, the War Department has borne this expense in certain cases. However, I do not believe that the Nicaraguan financial position is really such that it cannot afford to pay the expenses in connection with a Military Mission of the size essential to the proper training of the Guardia Nacional.

I have no idea where Captain Somoza could have obtained the idea that we are not friendly toward Nicaragua, for such is not the case. I feel that he is laboring under the misconception that if we do not give an immediate "Yes" to every request which is made, that means we are not friendly. It so happens that a number of Nicaragua's requests have had to be weighed in the light of our overall policy, and the fact that immediate compliance has not been possible does not indicate any unfriendliness whatsoever. The Department has Nicaragua's best interests very much at heart but does not feel that those best interests necessarily and invariably require us to accede immediately to every request which is made by its representatives in Washington. There is always the further possibility that Captain Somoza may confuse his father's best interests with those of Nicaragua; and that we may not fully agree with his opinion.

With regard to Captain Somoza's story of why Guatemala did not receive arms and ammunition, I can only say that it represents his own impression and interpretation of events which took place, and that it has no relation whatsoever to the facts. As you may remember from an instruction which was sent to Nicaragua early this year,³¹ the Department had decided not to send any further arms—or AT-6 planes—to Central America for the time being. It has adhered to this position. This decision affected Honduras, El Salvador and Costa Rica just as

²⁹ Office of American Republic Affairs.

³⁰ Division of Foreign Activity Correlation.

³¹ Instruction 1489, January 29, p. 1195.

much as it did Nicaragua and Guatemala, and any impression which the Nicaraguans and Guatemalans may have gotten to the contrary is completely erroneous.

I hope that the above will enable you to clarify any further misconceptions which may exist in the President's mind.

Sincerely yours,

A. M. WARREN

[By an exchange of notes dated February 1 and September 20, 1945, not printed, the military mission agreement between the United States and Nicaragua signed at Washington May 22, 1941, and extended in 1943, was extended for an additional two-year period effective May 22, 1945 (817.20 Missions/2-145). For text of the original agreement of May 22, 1941, regarding the detail of a United States military officer to serve as Director of the Military Academy of the National Guard of Nicaragua, see Department of State Executive Agreement Series No. 217, or 55 Stat. (pt. 2) 1327. For text of agreement of 1943, extending the original agreement, see Department of State Executive Agreement Series No. 344, or 57 Stat. (pt. 2) 1109.]

800.24/10-2645 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, October 26, 1945.

A-302. ReDeptCirInstruction Sept 11, 1945, and enclosure.³² War Dept has submitted program designed to equip suitable initial ground force units envisaged in staff conversations.

[The remainder of this airgram described a military program for Nicaragua, Honduras, Haiti, and the Dominican Republic.]

817.24/10-2645 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, October 26, 1945—5 p. m.

[Received October 27—12:22 a. m.]

632. The Acting Chief of the US Military Mission to Nicaragua has received the following message dated Oct 16, from Commanding General of the Caribbean Defense Command:

"Latest changes in regulations now permit the sale for cash to Latin American countries of replacement parts only for lend-lease equip-

³² *Ante*, p. 249.

ment now in hands of said countries providing availability will allow delivery prior to 2 March, 1946. Suggest that you coordinate with US Ambassador and that officials of local govt be advised to take action through their authorized purchasing representatives in the US. Such limited spare parts as may be available here will be furnished on request to this headquarters. All requisitions must include the statement (signed by a proper official of the requisitioning govt): 'It is agreed that cash payment will be made upon presentation of a bill by the US Govt.' The Acting Chief is prepared to recommend that all requisitions for non-military replacement parts be readily approved provided that the items for which the parts are to be used be listed by proper nomenclature. Replacement parts for military equipment be limited to those parts that are absolutely essential for the proper functioning and maintenance of the equipment received under lend-lease."

Normally his recommendation would receive my full approval. However, I have pointed out to him the uncertain political situation existing today and have requested him to refrain from informing the Nicaraguan authorities of the receipt of the message quoted. The Acting Chief and I agree that it is better to wait until the situation clears before the Nicaraguan authorities are informed.

The Caribbean Defense Command has not been informed that the information mentioned is being withheld from the Nicaraguan authorities.

WARREN

817.248/10-2945

Memorandum of Telephone Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] October 29, 1945.

Ambassador Warren telephoned this morning to state that he was somewhat concerned at a situation which had arisen, as he was informed that the Nicaraguan Government had sent two men to Panamá to buy two primary training planes and two basic trainers for cash. He said that this was definitely not good and that it would give an erroneous and extremely unfortunate impression for these four planes to arrive in Nicaragua within the next few days. He said he feared there was nothing which could be done at this late date. I said that I would look into the matter immediately.³³

W[ILLIAM] P. C[OCHRAN]

³³ Ambassador Warren reported to the Department in airgram A-416, November 5, 1945, that as a result of the Department's efforts the sale was not consummated and that the Nicaraguans had returned to Managua without the desired planes (817.796/11-545).

817.24/10-2645 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 1, 1945—8 p. m.

418. Dept is of opinion that replacement parts for lend-lease equipment (as distinct from additional parts or new equipment) should not be withheld from other American Republics. It is accordingly considered desirable that information contained in message to Military Mission from Caribbean Defense Command (urtel 632, Oct 26, 5 p. m.) be made available to Nicaraguan authorities notwithstanding present political situation.

BYRNES

817.796/11-945 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 9, 1945.

A-321. Re Department's telegram 415, October 31.³⁴ General policy of Dept is to interpose no objection to sale to other American Republics of commercial and non-military type planes (including primary and basic trainers) which are in free surplus supply. Department can withhold such planes from Nicaragua on temporary basis in view political considerations and electoral campaign but notes latter will continue until February 1947. Department does not consider it either desirable or practicable to refuse permit sale or delivery such planes to Nicaragua alone on such a long-term basis, particularly since they are being currently released to Honduras and other countries.

In view foregoing considerations, Department would like your comments and recommendations on political desirability releasing such planes to Nicaragua now that Liberal primary election held, or in near future, emphasizing that nothing herein refers tactical types.

BYRNES

817.796/11-1545 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 15, 1945—noon.

[Received 4:12 p. m.]

701. See Dept's A-321, November 9. Naturally I am in agreement with Dept's policy regarding sale to other American Republics of commercial and non-military types of planes.

However, I hope Dept will continue to make exception with regard to Nicaragua for next 3 months. Political situation here is serious,

³⁴ Not printed.

not to say critical. Nicaraguan Govt is already experimenting with mounting machine guns on BT-13's. Any planes we supply Nicaragua at this time will be considered by a good proportion of the populace (perhaps an overwhelming majority) as aid given to present govt to suppress its own people.

If present crisis has passed within 3 months, Embassy would recommend that not only commercial and non-military but military types of planes be released to Nicaragua.

WARREN

800.24/11-1645 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 16, 1945—3 p. m.

[Received 8:19 p. m.]

707. This mission has studied Dept's A-302, October 28 [26] and Deptel 436, November 13³⁵ re program for Nicaragua. It has no objection to program on basis that Honduras, Dominican Republic and Haiti are in same class. The considerations on which the program is based are also satisfactory. Embassy is of opinion that War Dept aircraft program for Nicaragua is satisfactory.

My principal concern is that no help whatever now be given Nicaragua (see my 701, November 15) that can be interpreted by govt or people as being aid to Somoza in present political crisis.

WARREN

817.248/11-1545

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 19, 1945—8 p. m.

444. Reurtel 701, Nov. 15. War Dept has received report from reliable source that Canadian Air Force is prepared supply training planes Nicaragua in view our refusal to do so. Dept requests your comments on this possibility, wondering how Nicaragua, which has paid nothing on Lend Lease account for military supplies already received, could explain expenditure in question when Lend Lease payment obviously should take priority. War and Dept also feel such purchase would jeopardize standardization program resulting staff conversations. Dept would appreciate your recommendations and any further information available.

BYRNES

³⁵ Telegram 436 not printed; it requested a reply to airgram A-302.

817.248/11-2145 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 21, 1945—6 p. m.

[Received 11:46 p. m.]

735. Dept's 444 November 19. Possibility that Canadian or British Air Force is preparing to supply training planes to Nicaragua in view of our refusal to do so should not be overlooked. Judging from a remark of Capt. Luis Somoza, President's son and Military Attaché in Washington, Nicaraguans have had word from Canadians. British Wing Commander Devey, H. M. Air Attaché at Panama, has been in Nicaragua recently. On other hand we do not know that any representative of Canadian Air Force has been here.

It is assumed Dept has not overlooked possibility of Mexico supplying planes to Nicaragua. Relations of Mexico (which possesses an important number of U.S. made planes) with Somoza have not been all that Mexico desired and she may therefore attempt to sell planes here in order to improve her position. While we do not believe Nicaraguan Govt would attempt to explain purchase of Canadian planes (or any others she might be able to get) in the light of overdue Lend-Lease payments, Dept might be prepared to make appropriate representations to any country which might become party to Nicaragua's irresponsibility regarding her priority international obligations under Lend-Lease.

Nicaraguan Air Force has \$10,000 it can spend now. Nicaraguan Govt is in tight political situation that may end in revolution. Govt would not hesitate to spend \$10,000 or any other sum it might be able to get in order to obtain planes quickly from any source. Could not Dept take stand with Canada or any other United Nation that such a sale would jeopardize accepted policy of withholding arms, ammunition and planes of any type during a crisis when such supply might be construed an intervention. As precedent, British agreement not to sell planes to Argentina could be cited. On other hand, abstention by Canada or other country would indicate a desire to continue Allied cooperation.

The sale of \$10,000 worth of planes to Nicaraguan Govt would probably not jeopardize our standardization program. However we do not want to take any unnecessary chances and trust Dept can carry out suggestion outlined herein with respect to Canada or other nation. I have recommended that planes not be sold to Nicaragua during existing crisis.

I recommend that we stand pat for present as the situation may clear within 3 months.

I want to emphasize that our sale of planes now to Somoza after recent refusal in Panama will be interpreted as backing for his regime and as a sign of weakness on our part. Conversely, it will be taken as a sign of Somoza strength.

WARREN

817.248/11-2145 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 27, 1945—3 p. m.

452. The appropriate local Canadian and British officials are being approached informally with regard to the desirability of refraining from supplying training planes to Nicaraguan Government at this time and it is believed that there will be no difficulty in obtaining their agreement.

While the Dept does not believe that there is much likelihood of planes being supplied by Mexico in view of its commitments under Lend Lease and export control regulations precluding resale of planes originating in the US urtel 735, Nov 21, 6 p. m. is being repeated to Mexico City in order that the Embassy at its discretion, may bring it to the attention of the Mexican Government.

BYRNES

EFFORTS TO DISCOURAGE PRESIDENT SOMOZA'S BID FOR RE-ELECTION IN 1947, WHILE MAINTAINING A POLICY OF NON-INTERFERENCE IN NICARAGUA'S INTERNAL AFFAIRS

817.00/8-745 : Telegram

The Acting Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, August 7, 1945—8 p. m.

288. Personal for the Ambassador from Rockefeller.³⁶ In a conversation with Ambassador Sevilla-Sacasa on August 1, I informed him that I wished to discuss with his permission on entirely personal basis a matter of some delicacy. I then told him of recent reports which had reached us to the effect that President Somoza was contemplating standing for election despite constitutional provisions to the contrary. I stated that I well understood the President's patriotism and desire to serve his country and the Americas, making mention and acknowledging with appreciation the wholehearted support which Somoza and the Nicaraguan Govt had given during the war and the

³⁶ Assistant Secretary of State Nelson A. Rockefeller.

various international conferences. I pointed out that it was necessary to take cognizance of important trends in the world today, suggesting that should Somoza run for reelection ³⁷ it might create difficulties for him, would seriously affect relations between the two countries and might result in a loss of confidence by American opinion in the general development of democracy in the Americas. I continued that if Somoza stood by the position that he was not a candidate, which had won him such acclaim, I believed it would have tremendous effect both in Nicaragua and throughout the Americas and would be a great credit to him. Ambassador Sevilla-Sacasa was most appreciative and thanked me for my frankness and friendly interest. He stated that he would transmit the substance of the conversation to President Somoza and suggested that you might have a similar private conversation with the President. He has since shown me a telegram which he has sent to Somoza reporting our conversation essentially as set forth above and informing the President that he might expect a call from you.

I should appreciate it if you would see President Somoza unofficially and personally inform him of my views. It should be emphasized that these views are entirely personal ones and are not intended as an official statement. [Rockefeller.]

GREW

817.00/8-1445

*Memorandum of Conversation, by the Ambassador in Nicaragua (Warren)*³⁸

[MANAGUA,] August 10, 1945.

I saw President Somoza at the Casa Presidencial at 8 p. m. on August 9, 1945, at my request. I took with me and showed to the President a copy of Mr. Rockefeller's telegram regarding his conversation with Ambassador Sevilla-Sacasa in which Mr. Rockefeller took up, on an entirely personal basis, reports that the President is contemplating standing for election despite Constitutional provisions to the contrary. The President read the message slowly and carefully. He then calmly and dispassionately discussed it. He said that he wanted Mr. Rockefeller to understand that the whole business of his running for election is a big game and that he is playing the game in the interest of the people of Nicaragua.

³⁷ Elections were scheduled for February 1947.

³⁸ Enclosed by the Ambassador in his letter to Nelson A. Rockefeller dated August 14, not printed.

In explanation of his present position in which his candidacy is being proclaimed by his friends throughout the Republic, the President said, in effect:

"The Proclamations were made by friends of mine in violation of the law. Because they were my friends, I did not feel that I could have them thrown in jail. Consequently, I sent a bill to Congress, which has passed both Houses, authorizing the opening of the Presidential and Congressional campaign at once. I have also sent a bill to the Congress authorizing juridical standing for the Conservative Party. The campaign can now proceed in an orderly manner."

From this point the President went on to explain why he had permitted the proclamation of his name to stand. He gave these reasons:

1. There are certain ranking elements in the Guardia Nacional who will support me as long as I am President or a candidate for reelection. Having the idea that I would not be a candidate for reelection, these elements were beginning to be active in regard to their own Presidential aspirations. Fearing that the Guardia Nacional would get out of control to the greatest detriment of the Republic, I allowed my candidacy to stand. The immediate result was to prevent any further activity of Guardia officers and to put them loyally behind me in keeping peace in Nicaragua.

2. There are, unfortunately, people in the Government Service of Nicaragua who want to make as much money out of their positions as possible. Were it known today that I would not be a candidate for reelection, that element would set out to make as much money as possible between now and the last day of my administration. This fact was an important consideration in my decision to let my candidacy continue.

3. As long as I am a candidate, my opponents will not be able to produce a candidate who can compete with me before the electorate. This being true, I shall be able to determine the course of the campaign. This means that when the time comes, I shall be able to indicate a candidate who will be agreeable to me and to the various elements opposing me. At that time we can be sure (it was clear the President meant himself and the United States when he said "we") that the man selected will serve patriotically and loyally the interests of Nicaragua and the United States.

The President emphasized that he is not well, that he is tired of the duties and the responsibilities of his office, and that he is looking forward to the time when he can lay down the executive power and as a private citizen devote himself to his personal interests. He added that the person taking over the Presidency must administer it patriotically and loyally in the interests of the people of Nicaragua. The President said, "I don't intend, I don't want to run for election to the Presidency."

I told the President that I was returning to the Embassy at once to send Mr. Rockefeller a telegram confirming the information which the President had given Dr. Munro.³⁹ I repeated to the President the points mentioned above which I said I would transmit to Mr. Rockefeller.

FLETCHER WARREN

817.00/8-1845 : Airgram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, August 18, 1945.

[Received August 24.]

A-300. On Saturday August 11, Dr. Enoc Aguado, outstanding Independent Liberal, came to see me about several things. The most important was the present Legislative situation with respect to the standing of the Conservative Party. (Please see the Embassy's despatch number 230 of August 18, 1945.⁴⁰) Dr. Aguado stated that the President's plan to recognize the Partido Conservador Nacionalista and the Partido Liberal Nacionalista as the two principal political parties of Nicaragua is due to his intention to monopolize the political parties in Nicaragua. Dr. Aguado contends that the Partido Conservador Nacionalista is composed of renegade Conservatives who have always been Somoza's supporters. The real Conservative Party, Dr. Aguado affirmed, is the Partido Conservador Tradicionalista. Naturally, Dr. Aguado is a protagonist of the Partido Conservador Tradicionalista.

In discussing this matter, Dr. Aguado said that he wanted to inquire of me in confidence what might be the attitude of the United States Government if it were suggested that a technical committee of three, headed by President Dodds of Princeton, co-author of the present electoral law of Nicaragua,⁴¹ come to Nicaragua to offer technical advice in regard to the revision of the electoral law of Nicaragua and in connection with the elections to be held under the revised law. He made it clear that the position of such a Committee would be purely technical and advisory. He suggested that an outstanding individual from another country such as Cuba and another from a third country outside of Central America might be included.

³⁹ Telegram 419, August 9, 10 p. m., not printed, confirming information given to Dana G. Munro during his visit in Nicaragua, August 2-8, as Special Adviser to the Director of the Office of American Republic Affairs.

⁴⁰ Not printed.

⁴¹ Dr. Harold W. Dodds was engaged by contract of December 15, 1921, with the Government of Nicaragua to assist in the revision of the electoral laws of that country; see *Foreign Relations*, 1923, vol. II, p. 605.

Dr. Aguado does not know, of course, of President Somoza's promise not to carry through his election campaign. (Please see Embassy's telegram number 414 of August 8, 1 p. m.⁴²)

Until such time as the President's decision becomes public, it might be well if some reply, noncommittal in tone, could be given to Dr. Aguado.⁴³

WARREN

817.00/8-2945 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, August 29, 1945—5 p. m.

[Received 11:58 p. m.]

471. When I saw President Somoza this morning regarding the visit to Nicaragua of Senator Theodore Francis Green,⁴⁴ he took occasion to speak to me about the political campaign in the following vein:

There are at least 100 candidates or would-be candidates for the Presidency. There is no candidate in sight who can win enough support to be elected. Furthermore, the Conservatives realize that if anyone should be elected, it would be a Liberal. Outstanding Conservatives including Cuadra Pasos state privately to the President that if the next President has to be a Liberal they would prefer that Liberal to be Somoza. Quiet has continued thus far in Nicaragua because of the President's standing with the people and with the Guardia Nacional. He believes he can continue to maintain tranquility. The time will come, however, when it will be necessary to settle on one candidate. The President reiterated his statement that he does not want to be elected for another term. However, it is taken for granted by him and all others concerned that the person elected must be *persona grata* to him. On this basis he said that he wanted me and the State Dept to be thinking with him regarding a proper person to receive the nomination. He emphasized that the person selected must be one who would look out for the interests of the

⁴² Not printed; it informed the Department that President Somoza, during a courtesy call by Dr. Munro at 7 p. m., on August 6, had asked Dr. Munro to convey to Mr. Rockefeller the assurance that he (Somoza) would not go through with the reelection when the time came (817.00/8-845).

⁴³ Dr. Aguado's proposal for an international commission to supervise forthcoming elections was subsequently presented by him to the Nicaraguan Chamber of Deputies. Telegram 512, September 19, from Managua, reported that the proposal was rejected by the Chamber on September 18, 1945 (817.00/9-1945).

⁴⁴ Senator from Rhode Island and member of the Senate Committee on Foreign Relations; he visited Managua between August 31 and September 3 during a personally financed tour of several of the American Republics.

United States and Nicaragua. (I said "No, Mr. President, he must look out for the interests of Nicaragua. Those interests do not conflict with the interests of the United States." To this the President agreed.) The President pointed out that were he not a friend of the United States and were considering the selection of a President solely on the basis of the best interests of Nicaragua, he could still best insure Nicaraguan interests by selecting someone friendly to the United States; he added "As long as the United States continues the great power she is today, the liberty of Nicaragua will be insured".

The Department knows that I have confidence in President Somoza's friendship for the United States but, unless we want the United States to figure in his thinking about and in the selection of a candidate to succeed him, we should now make perfectly clear to him our position on this point.

WARREN

817.00/8-1845 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, August 31, 1945.

A-261. Re your Airgram A-300, August 18, 1945. Should the Nicaraguan Government desire to employ President Dodds of Princeton or any other American citizen in a private capacity, in connection with the operation or revision of the Nicaraguan electoral law, this would appear to be a matter between that Government and the individual concerned. If, on the other hand, it is a question of asking the Government of the United States to appoint President Dodds to an International Electoral Commission, the situation would be quite different and the Department could not take any attitude thereon in the absence of an official request from the Nicaraguan Government. It is believed that you might convey the above thoughts to Dr. Aguado. For your confidential information, you should avoid encouraging such a request since it might involve invoking inter-American consultation and other serious political considerations.

BYRNES

817.00/8-2945 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, September 4, 1945—7 p. m.

337. Reurtel 471, Aug. 29. Please say to President Somoza that while Dept appreciates his suggestion that you and Dept join him in considering the proper person to receive Nicaraguan Presidential

nomination nevertheless Dept considers selection of candidates is a part of the electoral process and could best be left to internal decision in Nicaragua in accordance constitutional mandates and provisions electoral laws.

BYRNES

817.00/9-1045 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, September 10, 1945—4 p. m.

[Received 10 p. m.]

499. President Somoza received me at noon today. I gave him the message contained in the Dept's number 337 of Sept 4, 7 p. m. I repeated the message in different words three times. The President understands, but he intends to keep the Embassy and the Dept fully informed of developments in the selection of the proper person to receive the Nicaraguan presidential nomination. He said as much.

WARREN

817.00/10-2245 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, October 22, 1945—11 p. m.

[Received October 23—11 a. m.]

622. At 8 p. m. I saw the President at the end of a long hot day to tell him of my trip to the US.⁴⁵ He appeared tired, a bit nervous and somewhat harried.

[Here follow several paragraphs concerning a local strike, student unrest at the Central University, suspension of the newspaper *Flecha*, and the results of a recently-held, nationwide Liberal plebiscite.]

I asked the President when the Liberal convention would be held. He replied that the Junta Directiva Nacional y Legal of the Liberal Party, the highest Liberal authority, would call the election. He expects that the convention will be called to meet in the next month or so. He said it might select him as its candidate.

Having in mind the President's promise to Mr. Rockefeller and to me not to be a candidate, I inquired whether he had thought of his plans beyond the convention. He replied that he had. They are as follows: He will go to the U.S. in June of 1946 to see his son graduated from West Point. Before going he will, in accordance with Constitution, deposit the executive power in one of the designated members of

⁴⁵ Ambassador Warren arrived in Washington for consultation on October 14 and resumed his duties in Nicaragua on October 21.

the Senate or the House. He will also before going turn over command of the Guardia Nacional to a new chief. The President will remain in the U.S. until after the elections of February 1947. During that period he would confer with the Department of State and on the basis of what he says and what the Dept observes from events transpiring in Nicaragua, it will be decided whether he is to be a candidate for the Presidency. (It was evident that he felt that events in Nicaragua would be such that the Dept of State would want him to be a candidate.)

The following must be borne in mind:

1. President Somoza sincerely believes that he is the only man in Nicaragua today capable of keeping order and the peace.

2. He says he has spent sleepless nights trying to think of someone capable of taking his place.

3. He has convinced himself that it is his duty to Nicaragua and the Nicaraguan people to be reelected President for the next term.

4. He feels intensely that democracy in Nicaragua calls for different expression and different processes from that obtaining in the US.

5. He has contempt for the independent Liberals because most of them have been his supporters and beneficiaries of his favors at one time or another.

6. He has a sincere belief that ultimately Chamorro⁴⁶ and the Conservatives will be the gainers if he disappears from the political scene.

Briefly, it may be said that the President sincerely believes that he is the only man in Nicaragua today capable of governing the Republic and that without him chaos will result.

In the final seconds of the conversation, I gained the impression that although the ideas mentioned above represent the present thinking of the President, they are not necessarily his final thoughts on the subject.

WARREN

817.001 Somoza, Anastacio/2945 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, October 29, 1945.

408. Dept understands President Somoza's natural desire to see his son graduate West Point and assumes that his visit for that purpose would be unofficial since no invitation has been issued by this Govt. Dept would consider an extended visit inconvenient.

BYRNES

⁴⁶ Gen. Emiliano Chamorro, former President of the Republic and Minister to the United States, leader of the Traditionalist Conservative Party.

817.00/11-945 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 9, 1945—5 p. m.

[Received November 10—10:30 p. m.]

683. At my request I saw the President November 9 at 4 p. m., on his return from Montelimar. He is still ill from amoebic infection and malaria. He has lost 20 pounds and looks thinner.

Since I wanted to discuss frankly the general political situation in Nicaragua, I took advantage of his repeated offer to speak unofficially. We talked intimately and off the record for over two hours. We covered pretty thoroughly the political situation.

Somoza was as cocksure as ever. He has utter contempt for the opposition. He claims 80% of the Nicaraguan public support him. He concedes his opponents may have the other 20%. During the conversation he suggested that the United States supervise the elections. When I expressed belief we are unprepared undertake such task, he said other American Republics could be asked and would have to comply.

He again mentioned idea of referring to Supreme Court question of constitutionality his reelection.

During conversation Somoza said he did not want to be obstacle in electoral proceedings, that he is ill, and that he does not want to be President again. He said that he is ready to meet with responsible leaders (with certain exceptions) of Liberal and Conservative opposition in an endeavor to agree upon a single strong candidate to go before the people in election of February 1947. As a result of his suggestion, I understood that I am free to tell opposition leaders who may call on me that President is ready to meet with them and try to agree on a single strong candidate.

We also mentioned other phases of the political situation which need not be set forth now.

Thinking that Somoza might not have seen during his stay at Montelimar copies of Mr. Braden's and Mr. Byrnes' speeches⁴⁷ and of *Time* article⁴⁸ on Braden, I took those along. When President said he had not seen them, I showed and left copies so that he might peruse them at his convenience.

⁴⁷ On October 27 and October 31, 1945, respectively, Assistant Secretary of State Spruille Braden and Secretary of State Byrnes referred in public speeches to certain measures of local tyranny practiced abroad by one or more unidentified regimes, a situation deplored by the United States as counter to its conviction that governments must rest upon the free consent of the governed. For texts of the speeches, see Department of State *Bulletin*, October 28, 1945, p. 658, and *ibid.*, November 4, 1945, p. 709.

⁴⁸ The reference here is probably to an article entitled "Democracy's Bull," in *Time* magazine, November 5, 1945, p. 42.

As our conversation proceeded I became convinced that President was not aware of my receipt of Department's clear telegram No. 408 of October 30 [29]. Consequently I handed him a copy. He was visibly moved and shaken. I left him with the idea that I am to see him again next week after departure of President Rios.⁴⁹

WARREN

817.00/11-1545 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

[Extracts]

MANAGUA, November 15, 1945—8 p. m.

[Received 11:19 p. m.]

703. Having received word this morning from Lt. Aguirre that President wanted to see me I called on him at 2:30. He looked better and was in good spirits.

He asked me to say to Dept that since Rockefeller is no longer an official of State Dept⁵⁰ he does not consider himself bound by promise he made personally to Rockefeller (see my 419 August 9⁵¹). He now says officially to Dept that if he is unable to obtain united support of Conservatives (he belittles importance of Independent Liberal opposition) and Liberals, he will withdraw from race and not seek reelection. In other words as of this moment he is very much in the race for reelection. He told me specifically to transmit this info to State Dept.

WARREN

817.00/11-1545 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 23, 1945—5 p. m.

450. Reurtel 703 Nov. 15, Par. 5. You may inform Pres Somoza that you conveyed his statements to Dept as requested. You may add in your discretion that Dept's policy is still as you have interpreted it in your recent conversations with him and as set forth in a recent

⁴⁹ Juan Antonio Rios Morales, President of Chile.

⁵⁰ Mr. Rockefeller's resignation, tendered on April 13, 1945, was accepted by President Truman and Secretary of State Byrnes on August 25, 1945.

⁵¹ See footnote 39, p. 1216.

speech by an officer of Dept ⁵² (copy of which has gone forward by air mail) reading in part as follows:

"This doctrine of non-intervention, to which our government is bound by a declaration enjoying the staunch support of the American people and by formal international engagement entered into on their behalf, does not however preclude speaking our own mind on issues we consider vitally important. It involves no sacrifice of integrity on our part, no surrender of principles, no turning a deaf ear to the voice of liberty raised by any people, anywhere. . . . It is conceded that some governments in this hemisphere have not come into power through democratic processes. Some have maintained their positions through other than constitutional means, or without the consent of the governed.

We do not intend to intervene to impose democracy. The peoples of those countries are primarily responsible. But we obviously feel a warmer friendship for and a greater desire to cooperate with those governments that rest on the periodically and freely expressed endorsement of the governed. . . . The policy of non-intervention does not, as the Secretary of State declared three weeks ago,⁵³ imply the approval of local tyranny."

BYRNES

817.00/11-2345

Memorandum of Telephone Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] November 23, 1945.

Ambassador Warren telephoned this morning to state that the story was circulating in Nicaragua that he (the Ambassador) had told an official of the Nicaraguan Government that the Government of the United States has no objection to Somoza's re-election. The Ambassador added that he had heretofore ignored stories of this nature but that in the future he intended to deny making such a statement to each individual who might mention the matter to him. He asked if there was any objection to this procedure. I said that I could not perceive any.

W[ILLIAM] P. C[OCHRAN]

⁵² Address by Ellis O. Briggs, Director of the Office of American Republic Affairs, on November 20, 1945, entitled "Pan America, a Post-War Estimate"; for text, see Department of State *Bulletin*, November 25, 1945, p. 867.

⁵³ Address of October 31; see footnote 47, p. 1221.

817.00/11-2145

Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cochran) ⁵⁴

[WASHINGTON,] November 27, 1945.

As you know, a number of Nicaraguan political leaders have been consulting Ambassador Warren with regard to the political situation in that country. As a result of certain discussions with the President, the latter expressed a willingness to meet with the opposition and to agree to a single candidate satisfactory to everyone, and at a subsequent meeting with opposition leaders the Ambassador conveyed this suggestion to them, asking particularly that his name be kept out of the situation. The opposition met and decided that it would be indisposed to negotiate with the President pending the re-establishment of constitutional guarantees, the reopening of the frontier to exiles, and the restitution of freedom of the press. The minutes of the meeting state that an invitation to consult had been issued by the President through the American Ambassador, and the minutes also stated that the meeting adjourned after appointing a committee to present a memorandum to the Ambassador. The minutes of this meeting appeared in a Nicaraguan newspaper ⁵⁵ a day or so later, to the consternation of almost everyone concerned. President Somoza immediately issued an extensive statement to the press, and Ambassador Warren issued a shorter communiqué. All these documents are contained in Managua's telegram 733 of November 21, ⁵⁶ which, being largely in Spanish, was sent to the Translating Division and did not reach CCA ⁵⁷ until late yesterday afternoon. As this telegram was the basis for a number of subsequent communications, it is only now that the situation is becoming somewhat clearer.

One of the leaders of the opposition gave a statement to the press declaring that the Ambassador was correct in stating that he had had no part in drawing up the minutes of the opposition meeting (which he had not attended) or in their publication and explaining that such publication had not been authorized. Ambassador Warren explains his part in the matter at some length in his telegram 739 of November 22. ⁵⁶

The publication of the minutes caused a furore in the Casa Presidencial, but Somoza does not appear to be holding the situation against Warren. On the other hand, the opposition has demonstrated amaz-

⁵⁴ Addressed to Assistant Secretary of State Braden and to Messrs. Ellis O. Briggs and George H. Butler of the Office of American Republic Affairs.

⁵⁵ *La Flecha*, November 21, 1945.

⁵⁶ Not printed.

⁵⁷ Division of Caribbean and Central American Affairs.

ing ineptitude, and, if anything, the incident will redound to Somoza's benefit.

I am concerned primarily with the fact that this entire matter has been made a matter of public discussion in Nicaragua and that we may become subject to charges of having attempted to intervene in internal Nicaraguan political affairs, such charges to receive currency not only in Nicaragua but possibly in other countries of the hemisphere.

As Ambassador Warren states, it will probably be several days before the full effect of the foregoing incident is apparent.

This is a discouraging development as far as concerns our efforts to assist Nicaragua to return to a constitutional and democratic system of government.

W[ILLIAM] P. C[OCHRAN]

817.00/11-2945 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 29, 1945—5 p. m.

[Received November 30—12:45 a. m.]

760. I saw President Somoza at his finca San Juan this morning. He signed and gave me the following statement in Spanish:

"Two weeks ago when I saw the Ambassador in order to give him my final decision to renounce my candidacy for the Presidency, I only wanted a little time to try to conciliate all the factors to choose a candidate accepted by all and to see that that man should guarantee the existence of the National Guard which is the institution which with me at the head has maintained peace in Nicaragua. Now I repeat the same and formally make the offer to the Department of State to renounce my candidacy within not more than 30 days and to devote myself during the remainder of my administration to working toward progress and to guarantee free elections in Nicaragua during the next electoral period. Work camp 'El Jenijazo'." November 20, 1945, signed Pres. Somoza.

I will discuss statement in another message.

WARREN

817.00/11-2945 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, November 29, 1945—6 p. m.

[Received November 30—6:16 a. m.]

761. Señor Aguirre telephoned me at Las Piedracitas at 8 a. m. to say that he would be glad to take me in his car to see the President at

the dam on his farm San Juan. He stated Somoza could see me at 9 a. m. or later. Aguirre and I arrived at the dam about 9:30 a. m., I talked with Somoza until about 11:40. We discussed the political situation and our conversations from August 10 up to date. It is not possible to relate our conversation chronologically. I attempt, however, to set forth the main points brought up.

I took with me the same information which I had shown to Arguello⁶⁰ yesterday afternoon (see my 759 of November 28⁶²). I also had the papers which I now list:

1. Memorandum of conversation dated August 10, 1945, which was transmitted to Mr. Rockefeller under cover of my letter of August 14. I called particular attention to the last sentence in numbered paragraph 3.⁶¹

2. Three sentences from Mr. Rockefeller's letter to me dated August 23, 1945,⁶² which I had handed to President shortly after hearing from Mr. Rockefeller.

3. A paraphrase of Department's telegram 337 of September 4.

4. Third paragraph of Department's telegram No. 471 of August 29. (I did not leave Somoza a copy.)

5. Paraphrase of first two sentences of Department's telegram No. 450 of November 23 which I left with President.

6. A copy of Mr. Briggs' speech at University of Pennsylvania⁶³ marked with the quotation from telegram 450 just mentioned. I left copy of speech with President.

7. Copy of Secretary's statement regarding Uruguay initiative.⁶⁴

8. Clipping from this mornings *Flecha* containing article in Spanish on Mr. Byrnes' statement.

The President read the papers in order given. When he got through reading marked portions of Mr. Briggs' speech he inquired what it all meant. I responded, "Mr. President, my instructions were to bring out the marked portions. I have done so and thus have complied with my instructions. If you want to know now what I personally think, I shall be glad to tell you". He indicated that he wanted me to speak personally and as freely as I could.

I then said, "Mr. President, in my opinion they are telling you that (pointing to Mr. Briggs' speech) this means you. Your Government is considered to be that of a dictator and the Department is trying to indicate to you its position".

President then wanted to know why Department did not let him know in so many words just what it wanted him to do. I attempted

⁶⁰ Mariano Argüello Vargas, Nicaraguan Minister for Foreign Affairs.

⁶¹ *Ante*, p. 1214.

⁶² Not printed.

⁶³ See footnote 52, p. 1223.

⁶⁴ For text of statement released to the press on November 27, see Department of State *Bulletin*, December 2, 1945, p. 892. For documentation on the Uruguayan initiative, see pp. 185 ff.

to explain that since August 10, this year, I had been trying to let him know what his position is with respect to U.S. He answered, in effect, "As a friend, I deserve better treatment from State Department. It should tell me exactly, and I have invited it to tell me exactly, what it wants". I indicated that I thought he now knows his exact position.

Somoza next stated that when he saw me 2 weeks ago he had tried to make it clear that he intended ultimately to get out of the race. (See paragraph 5 my 703, November 15.) I told him that I had gone away with the firm impression that he intended to push his candidacy and that I had so reported to Department. He did not deny what I said but emphasized that he intended finally to withdraw his candidacy (my telegram 703 sent immediately after the conversation still stands at [*as*] the record).

At this point Somoza indicated that he was prepared to write the renunciation of his candidacy. He then wrote in pencil the statement contained in telegram No. 760 of today.⁶⁵

He said that I was to express his hope to the Department that the "consulta" requested by Constituent Assembly of Panama⁶⁶ could be held up for 30 days. By that time he promised to renounce his candidacy. He wants 30 days in order to arrange matters and to show he is not yielding to pressure.

Somoza then stated that Estado de Sitio is being lifted today. He promised that political prisoners will be gradually released, saying there are only five at moment.

In reply to my query he stated that newspapers will be allowed to reappear. He said specifically that *La Noticia* would be included and that new papers could be authorized in accordance with the laws of Nicaragua.

During the conversation I did not fail to point out to the President the serious position in which I think he finds himself as a result of the action of the Assembly in Panama City. I told him I did not see how the American Government could avoid agreeing to the "consulta". He indicated that he thought the U. S. Government would have to agree to it. The President was bitter, not to say vitriolic, toward Panama. He says that he is going to let those renegades (he used another word) know what he thinks about them.

I don't see how, speaking on my own responsibility, I could have made clearer my ideas of Somoza's position. Just before leaving I reminded that [*him*] that I had fulfilled my instructions when I called to his attention Mr. Briggs' speech with certain paragraphs particu-

⁶⁵ *Supra*.

⁶⁶ The Constituent Assembly of Panama, as the result of a visit by seven Nicaraguan political refugees, adopted a resolution on November 27 urging President Enrique A. Jiménez to initiate consultations with the other American Republics for the immediate breaking off of relations with the governments of Nicaragua, Honduras, and the Dominican Republic.

larly marked; that all beyond that had been the personal expression of a friend trying to help him realize his present position. He said he understood.

Discussion was carried on in friendliest spirit and President's good-bye was as cordial as ever.

Although I am not particularly impressed by it, I trust the Department will give me something to say in response to the President's statement. At the moment I am inclined to consider statement mere temporization.

[WARREN]

817.001 Somoza Anastasio/11-3045 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Warren)

WASHINGTON, November 30, 1945—8 p. m.

459. If Dept correctly interprets President Somoza's message contained urtel 760, November 29, he implies that Dept could accept his "offer" to renounce his reelection candidacy.

Nicaragua is a free and sovereign nation and must be responsible for the conduct of its own affairs. As President Somoza will of course understand, in the light of our well-known policy and our treaty commitments not to intervene unilaterally in the domestic affairs of any Govt, this Govt would not entertain such an "offer" for one moment. While President Somoza may wish, in reaching his decision, to take cognizance also of our announced view concerning Govts resting on popular will freely and periodically expressed, the decision in the matter must be exclusively his.

Please convey foregoing urgently to Somoza.

BYRNES

817.00/12-145 : Telegram

The Ambassador in Nicaragua (Warren) to the Secretary of State

MANAGUA, December 1, 1945—8 p. m.

[Received 11:35 p. m.]

770. In order to comply immediately with Dept's telegram 459 of November 30, I arrived at 3 p. m. at Finca San Juan without appointment. President Somoza received me immediately.

I allowed Somoza to read exact text of No. 459 but gave him no copy. He seemed hurt. We discussed message for several minutes during which he said:

The Dept has misunderstood my statement. I did not "offer" to renounce my presidential candidacy to State Dept. What I meant to say was that I was prepared to renounce my candidacy to the people of Nicaragua within 30 days.

Our conversation was a private one and I made my statement in writing as a token of friendship toward US. I only wanted to let US as a friendly country (the elder brother of the Continent, as I say) know beforehand my decision in hope that my action would help to bring tranquility to Nicaragua. I did not aim to offend or harm the US in any way.

It was not intended that my message should indicate that US was exerting any pressure on me to renounce my candidacy. In fact, I did not and do not contemplate making public the statement. I did not even keep a copy of it. (Embassy later sent Somoza a copy.)

I authorize State Dept to strike out of statement the five words "formalmente al departamento de estado".

The President's reaction was that he had tried to act on friendly basis with Dept and that he was afraid it had taken offense. He said he should always deal with Dept on formal, technical basis.

When I got up to go he repeated: You tell them I did not mean to harm or offend; I only wanted to be friendly.

WARREN

817.00/12-1745

Memorandum of Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] December 17, 1945.

Participants: Sr. Dr. Don Guillermo Sevilla-Sacasa, Ambassador of Nicaragua,
Mr. Spruille Braden, Assistant Secretary of State,
Mr. William P. Cochran, Jr., Chief, Division of Caribbean and Central American Affairs.

The Ambassador stated that he had called to discuss the political situation in Nicaragua. He referred to the recent friendly conversations which President Somoza had had with Ambassador Warren and spoke of the pro-American attitude and policies of President Somoza. He stated that President Somoza had had no ambition to continue in the presidency. He then referred to the Guardia Nacional which had been organized under Somoza and which looked to him as a father from the lowliest private to the senior colonel and said that many of the members of the Guardia conveyed to Somoza their desire that he continue in office. Somoza had permitted this propaganda to continue, as he did not want to hurt the feelings of his friends and it had won the support of large sectors of the population. He said that there was soon to be a tremendous popular demonstration of support for President Somoza and that at that time, Somoza would announce that he would not be a candidate for reelection. He said that the President wanted him to convey to Mr. Braden his belief that there would immediately spring up a large number of candidates to

succeed him. Some of these would be within the National Guard, so that the President might have difficulty in controlling these ambitious candidates and some might come from leftist elements or from groups unfriendly to the United States. However, the President was hopeful that he could control the situation and maintain peace in the country.

Mr. Braden thanked the Ambassador for his frank message. He said that of course in view of our nonintervention policy he could not make any comments upon the statements made to him by the Ambassador but that that did not mean that we were lacking in interest in the welfare and progress of Nicaragua, which was necessarily tied up with political events. He said that we believe that the best way to practice democracy was to practice it and that sometimes the way was hard. If leftist or anti-American elements should become active, well, that was only a part of the difficult progress toward the democratic goal. He said that he felt sure that President Somoza, being apart from the presidency, being apart from the National Guard, being apart in general from an active political life, would as an elder statesman continue to exercise great influence upon the development of the political situation in Nicaragua along democratic and otherwise favorable lines, and thus write his name large on the pages of history.

W[ILLIAM] P. C[OCHRAN]

PANAMA

DISCUSSIONS BETWEEN PANAMA AND THE UNITED STATES ON DEFENSE PROBLEMS

810.20 Defense/7-745 : Airgram

The Acting Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, July 17, 1945.

A-977. The War Department is radioing General Brett,¹ requesting him to cooperate with you in the preparation of a short and tentative agenda which can be presented to the Panamanian representatives as the basis for staff conversations with United States military representatives. (Reference is made to the Department's instruction 213 of January 10, to the Embassy's despatch 702 of November 8 [1944]² and to previous correspondence indicating that the former Panamanian administration had accepted this Government's proposal to hold exploratory bilateral staff conversations.) The agenda to be prepared by the Embassy and General Brett should not include the subject of defense sites, since the question of bases has been specifically excluded from all staff conversations and will be dealt with in later separate negotiations. No mention should be made of civil air problems, since they properly lie beyond the scope of these conversations.

The Department recognizes the difficulty of drawing up a suitable agenda for conversations of a military character with a country maintaining no army and navy, particularly within the limitations on the agenda outlined above. However, the Department still believes that it is desirable to hold conversations with Panama in order that that country may be treated equally with all the other American republics which have cooperated in hemisphere defense. The agenda should be short and couched in general terms, since it is believed that the conversations will not be of long duration.

When you have drawn up an agenda along the lines given above, a copy should be sent to the State Department, and General Brett will likewise send a copy to the War Department. Final approval will be given by the two Departments, following which the Embassy will be

¹ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

² Neither printed, but for text of the enclosure to the Department's instruction, "Statement of Procedure in the Conduct of Bilateral Military Staff Conversations", see *Foreign Relations*, 1944, vol. vii, p. 130.

notified that a date may be set for conversations with the Panamanian Government.

GREW

810.20 Defense/7-1945

*Proposed Agenda for Panamanian Staff Conversations*³

I. General Purpose of the Conversations.

Establishment, on a permanent basis, of military relations between the two countries within the framework of a system of hemisphere defense.

II. In keeping with Article X of the General Treaty of the Second of March 1936 between the Republic of Panama and the Government of the United States,⁴ and in attainment of the objectives stated in "I" above, and considering the mission of the Panama Police Force, the United States officers wish to discuss:

A. Size and composition of the post-war police force desired by your government.

1. The estimated annual expenditure to be allocated to your police force.
2. Estimated available manpower, trained and untrained, for your police force.
3. The organization of your police force.

B. Any plan your government may have for a coastal auxiliary to the Panama Police Force.

C. Whether you would be willing, in general, to continue to train the Panama Police Force on United States principles.

1. If so, please give an estimate of types of courses and number of personnel to be trained under this system.
2. Do you desire to expand the present United States Military Mission? If so, what other branches of instruction would be desired?

D. Whether your government would be willing to equip its police force with United States arms and equipment.

1. If so, please give approximate types and amount of United States matériel required.
2. Amount of unsuitable matériel which might be available to exchange for United States matériel on a mutually satisfactory basis.

³ Prepared by the Military Missions Division of the Caribbean Defense Command and forwarded to the Department by the Chargé in Panama in his despatch 2203, July 19; received July 25.

⁴ Article X provided for consultation between the United States and Panama when measures deemed necessary to one party to the agreement affected the territory of the other. For text, see Department of State Treaty Series No. 945, or 53 Stat. (pt. 3) 1807.

810.20 Defense/7-3145 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, July 31, 1945—5 p. m.

[Received 7:45 p. m.]

725. Department's 397, July 30, 7 p. m.⁵ Embassy approves proposed agenda. The former administration of the Government of Panama expressed the desire to hold staff conferences, however the new administration⁶ has not been consulted which General Brett and I feel should be done before any further action is taken in this regard. Does the Department agree?

DONNELLY

810.20 Defense/8-1145 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, August 11, 1945—1 p. m.

[Received 4 p. m.]

757. Dept's 406, Aug. 2, 6 p. m.⁷ The Chargé d'Affaires, General Brett and officials of the Panamanian Govt met today with President Jimenez and discussed plans for staff conferences. The President approved the agenda in principle and requested that the first official meeting take place on August 16.⁸

DONNELLY

711F.1914/9-1445

The Chargé in Panama (Donnelly) to the Secretary of State

No. 2712

PANAMÁ, September 14, 1945.

[Received September 21.]

SIR: I have the honor to refer to Article IV of the proposed Panamanian Constitution, a translation of which reads as follows:

"Article 4. The Republic shall be constituted of the continental and insular territory embraced between Colombia and Costa Rica, in accordance with the boundary treaties entered into between Panamá and the said republics.

Recognition is hereby accorded to the jurisdictional limitations stipulated in public treaties or international agreements heretofore entered into prior to this constitution."

⁵ Not printed ; it requested comment on the agenda, *supra*.

⁶ President Enrique A. Jimenez took office after his election by the Second National Constituent Assembly, June 15, 1945.

⁷ Not printed.

⁸ According to the Ambassador's despatch 2463, August 18, Panama agreed to August 21 as the opening date for the staff conversations (810.20 Defense/8-1845).

The Governor of The Panama Canal⁹ is of the opinion that as Article IV does not include jurisdictional limitations which may possibly be concluded in public treaties between the two Governments subsequent to the adoption of a new Constitution that it may be in conflict with paragraph 2 of Article II of the General Treaty of Friendship and Cooperation of March 2, 1936. He feels that Article IV of the draft Constitution would render unconstitutional full compliance by the Panamanian Government with the obligation undertaken in Article II of the Treaty of 1936.

I discussed this matter with the Foreign Minister¹⁰ on September 11 who stated that in his opinion, both as Foreign Minister and as one of the negotiators of the 1936 Treaty, the new Constitution does not nullify the rights established in Article II of the Treaty. He said that if an emergency should arise in the future and additional land be required for the defense, etc., of The Panama Canal that this could be accomplished in accordance with provisions of the Treaty. The Governor and the Embassy are inclined to share the opinion expressed by the Foreign Minister, however, before dropping the matter, I wish to place the facts before the Department in the event the Department may take a different view.

With respect to Article IX and Article 210 of the proposed Constitution, it is the opinion of the Embassy and the Commanding General of the Panama Canal Department that any doubt as to the jurisdiction of The Panama Canal over the air above the Panama Canal should be clarified by the insertion of a clause similar to the second paragraph of Article IV of the proposed Constitution, which reads as follows:

"Recognition is given to the jurisdictional limitations stipulated in public treaties celebrated prior to this Constitution."

I also discussed this matter with the Foreign Minister. He holds that in accordance with the conclusions reached at the Pan American Conference in Habana in 1928¹¹ and consistent with international law, there can be no doubt as to the jurisdiction of The Panama Canal over the air above The Panama Canal. I said that while I agreed with his views it would be advisable to clarify this point by including an appropriate reference to it in the proposed Constitution. The Minister suggested that I send a memorandum on this subject which I am doing today, copy attached.¹²

Respectfully yours,

WALTER J. DONNELLY

⁹ Brig. Gen. Joseph C. Mehaffey.

¹⁰ Ricardo J. Alfaro.

¹¹ Sixth International Conference of American States held at Habana, January 16-February 20, 1928; for the aviation agreement reached at this Conference, see *Foreign Relations*, 1928, vol. I, p. 585.

¹² Not printed.

711F.1914/9-1445: Telegram

The Acting Secretary of State to the Ambassador in Panama (Hines)

WASHINGTON, September 25, 1945—8 p. m.

520. Embs despatch 2712, Sep 14. Second paragraph of Article 2 of 1936 Treaty clearly envisages an agreement between the US and Panama for jurisdiction over additional lands and waters when necessary to insure maintenance, sanitation, efficient operation, and effective protection of the Canal. Negotiation of Defense Sites Agreement of May 18, 1942¹³ is evidence of the understanding of both Govts of the joint obligations under the Treaty to insure the protection and continuous operation of the Canal. Dept therefore concurs with Emb, Governor and Foreign Minister that Article 4 second paragraph of the proposed Panamanian constitution would not restrict rights of US through negotiation to obtain from Panama additional areas in case of unforeseen contingency.

With respect to Articles 9 and 210 Dept concurs with Emb and Commanding General that an additional paragraph similar to that under Article 4 should be included. Accordingly Dept approves delivery to Panamanian Govt of memorandum dated Sep 14.¹⁴

ACHESON

810.20 Defense/11-645

*Memorandum by the Chief of the Division of American Republics
Analysis and Liaison (Dreier)*¹⁵

[WASHINGTON,] November 6, 1945.

As a result of the staff conversations recently held with Panama and reported in the underlying despatch,¹⁶ Panama wishes:

(1) To reorganize its present police force into an expanded military unit consisting of one military police battalion, one military police company, and one horse cavalry troop—a total of 963 officers and men. Aside from a request, reported in the despatch, for 50 patrol cars, the equipment to outfit this force is not indicated. The War Department recommendation for the token shipment of ground equipment which has been submitted to the Department, contains no recommendations for Panama.

(2) Panama also wishes to acquire a modest air force, to consist initially of 1 C-45 (transport plane), 2 AT-6's (advanced bombing trainer), 2 AT-19's (advanced fighter trainer), and 2 PT-13's (primary trainer) when pilots have been trained to fly them. The War

¹³ Department of State Executive Agreement Series No. 359; 57 Stat. (pt. 2) 1232. For documentation on negotiation of this agreement, see *Foreign Relations*, 1942, vol. vi, pp. 577 ff.

¹⁴ Not printed.

¹⁵ Addressed to the Chief of the Division of River Plate Affairs (Butler) and to the Assistant Secretary of State for American Republic Affairs (Braden).

¹⁶ Despatch 2879, October 1, 1945, not printed.

Department recommendation for the token shipment of aircraft includes 1 C-45, 1 AT-6, 2 PT's for Panama.

(3) As part of this projected reorganization and expansion of its police force, Panama wishes to add to its present United States Military Mission which consists of one veterinary officer, sundry other officers to train the reorganized military unit.

In the belief that this government should not aid in the creation of armies in Latin America where such armies do not exist, I recommend:

(1) That if and when the War Department submits a list of military equipment for Panama, the Department agree to the shipment of only such small arms as might be legitimately utilized by a Panamanian police force of a size comparable to the present one.

(2) That the Department agree to the shipment of only the primary trainers and the C-45 of the aircraft recommended by the War Department if and when this latter type of plane becomes available and provided Panama has the money to pay for it.

(3) That since the increase in the present military mission is predicated on a reorganization and expansion of the present police force, the Department do not agree to an increase in the mission but instead offer adequate assistance in training of police, possibly a small police mission.

JOHN C. DREIER

711F.1914/11-745: Telegram

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

PANAMÁ, undated.

[Received November 7, 1945—5:45 p. m.]

984. With reference to Embassy's despatch No. 10, November 5¹⁷ reporting text of three questions drafted by the Constitutional Assembly relating to status of defense sites leased by the United States in Panama, Dr. Ricardo J. Alfaro, Minister for Foreign Affairs and Dr. Octavio Fabrega, former Foreign Minister appeared before the Assembly on November 6 and read prepared replies to the questions.

Alfaro said that according to his interpretation of the defense sites agreement of 1942 the US Govt must return the defense sites to Panama not later than September 1, 1946 or exactly one year from the date of the signing of the surrender on board the *Missouri*.¹⁸ He added that it is the opinion of the executive power that the expression "shall terminate one year after the date on which the definitive treaty of peace which brings about the end of the present war shall have entered into effect" refers to "whatever pact, agreement, act or instrument entered into by the belligerent countries in accordance with which there is definitely terminated the hostilities inherent in the

¹⁷ Not printed.

¹⁸ For documentation on the capitulation of Japan, see vol. VI, pp. 621 ff.

state of war." Therefore the Panamanian Executive considers that the conflict ceased with the unconditional surrender of Japan as represented by the document signed on board the *Missouri* on September 1, 1945. He added that "it would be erroneous to think of the final peace agreement as that which would be positively negotiated by the United Nations and the Axis whereby normal relations between the two groups of countries will be established. That interpretation would be absurd because such a peace treaty, if it were ever arrived at, would certainly not be negotiated until one or two generations hence, etc. etc." With reference to our right to extend the Rio Hato runway across the Panamanian National Highway "for the period of the emergency only" Alfaro said that it would have been unfair to request the US Govt to remedy the situation immediately following the cessation of hostilities but that the Govt would shortly inform the US Govt of the expiration of the authority. The Minister pointed out that our Govt has already returned 60 of the 83 bases covered by the defense sites agreement "although some of the larger ones are still under US control" (Alfaro's figures are incorrect).¹⁹ Detailed information regarding Alfaro's and Fabrega's statements will be forwarded by airmail.²⁰

HINES

711F.1914/11-945

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

No. 55

PANAMÁ, November 9, 1945.

[Received November 15.]

SIR: I have the honor to refer to the Embassy's telegrams Nos. 983²¹ and 984, dated November 7, 1945, and 989 dated November 9, 1945,²² regarding the return to Panamá of the defense sites occupied by the United States armed forces and to report that the Constituent Assembly and the Panamanian Government attach special importance to the return of the Rio Hato air base and early realignment of the runway which cuts across the National Highway and which results in frequent traffic interruptions. Our Army authorities regard the base as the most important defense site outside of the actual Canal Zone and they wish to continue to occupy it in the peace-time period as a part of the overall plan for the defense of the Panama Canal.

¹⁹ With despatch 116, November 17, there was transmitted a tabulation of all defense sites abandoned up to October 15, 1945. The list included 61 sites completely abandoned and 9 sites partially abandoned. The tabulation gave the total rental for these sites paid to the Republic of Panama as \$290,687.48 and the value of improvements left on the sites abandoned as \$825,325.00. (711 F. 1914/11-1745)

²⁰ Despatch 32, November 8, 1945, not printed.

²¹ Not printed.

²² Telegram 989, November 9, not printed.

During a recent conversation General Crittenberger²³ pointed out that Rio Hato is the all-important base and that instead of abandoning it the Army desires to retain it and possibly expand it in connection with future plans for the defense of the Panama Canal. The General understands, of course, that retention of the present site and any expansion thereof must be the subject of negotiations and agreement between the two governments. The General added that the rerouting of the National Highway so as to eliminate the present runway-highway intersection would cost approximately \$150,000. Something like this must be done because the right to extend the runway across the highway was only for the duration of the war. The General has informed me that his Command is drafting recommendations for the peace-time defense of the Panama Canal and which will be forwarded to Washington shortly. I am hopeful that the Department and the War and Navy Departments in Washington will reach an agreement shortly on this matter so that we may initiate negotiations with the Panamanian Government within the next few months. I recommend, however, that no negotiations take place until the Constituent Assembly approves the new Constitution and the status of the Provisional President and the Constituent Assembly is clarified.

Respectfully yours,

FRANK T. HINES

819.011/12-2945

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

No. 461

PANAMÁ, December 29, 1945.

[Received January 4, 1946.]

SIR: I have the honor to refer to the Embassy's despatches No. 57, November 9, 1945,²⁴ and No. 97, November 15, 1945,²⁵ and to enclose texts in Spanish and translation thereof of memoranda from the Ministry of Foreign Affairs regarding the revision of the articles of the proposed constitution relating to the jurisdiction of the air above the Panama Canal and the teaching of English in schools in the Republic of Panamá.

The Department will observe that Article 3 of the proposed constitution relating to the jurisdiction over the air space above the Republic of Panamá has been amended by the addition of a clause recognizing the "jurisdictional limitations stipulated in Public Treaties prior to this Constitution". This should remove any doubt as to the jurisdiction of the Government of the United States over the air above the

²³ Lt. Gen. Willis D. Crittenberger, successor to General Brett as Commanding General, Caribbean Defense Command.

²⁴ For an extract from this despatch, see p. 1274.

²⁵ Not printed.

Panama Canal and/or any other territory in the Republic of Panamá the acquisition of which has been mutually agreed upon by the Republic of Panamá and the United States under the provisions of the Treaties of 1903 ²⁶ and 1936.

Article 74 of the proposed constitution has been revised to permit the teaching of a foreign language with the permission of the Ministry of Education. The Minister for Foreign Affairs and the Minister of Education have assured the Embassy that there will be no interference with the teaching of English in the schools in New Cristobal.

Copies of this despatch are being sent to General Crittenberger and Governor Mehaffey.

Respectfully yours,

FRANK T. HINES

AGREEMENT BETWEEN THE UNITED STATES AND PANAMA CONTINUING IN EFFECT THE AGREEMENT OF JULY 7, 1942, RESPECTING THE DETAIL OF A MILITARY OFFICER TO SERVE AS ADVISER TO THE MINISTER FOR FOREIGN AFFAIRS OF PANAMA

[Agreement by exchange of notes signed February 27 and April 7, 1945, not printed. For text of the original agreement of July 7, 1942, and exchanges of letters extending the Agreement, July 6 and August 5, 1943, and April 26 and May 18, 1944, see Department of State Executive Agreement Series, Nos. 258, 330, and 414, or 56 Stat. (pt. 2) 1545, 57 Stat. (pt. 2) 1052, and 58 Stat. (pt. 2) 1377, respectively. From 1945 to 1952, the Department of State did not ordinarily include in the Executive Agreement Series or the Treaties and other International Acts Series agreements or arrangements that were simple renewals without modification of previous agreements or arrangements.]

PROBLEM PRESENTED BY POLITICAL OPPONENTS OF THE GOVERNMENT OF PANAMA TAKING UP RESIDENCE WITHIN THE CANAL ZONE

819.00/1-145 : Telegram

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

[Extract]

PANAMÁ, January 1, 1945—4 p. m.

[Received 8:55 p. m.]

2. Reference my 770, December 31, 4 p. m.²⁷ and previous telegrams regarding the Panamanian political situation. The Panamanian political crisis which developed on Thursday December 28 continues

²⁶ *Foreign Relations*, 1904, p. 543.

²⁷ Not printed.

serious. When ten deputies to the National Assembly publicly alleged Thursday December 28 that they would name a new First Designate and consequently a new President, and when it became subsequently apparent that De La Guardia,²⁸ after Deputy Barletta's switch to the opposition, no longer clearly controlled the Assembly, the most serious political crisis since De La Guardia's advent to power in October 1941 developed. He has suspended the constitution of 1941 and has dissolved the Assembly. He has promised a constitutional convention in June 1945 and declares that he will resign then if the convention asks him to. He continues to maintain that the opposition to his regime is Arnulfisty²⁹ in character led by Arnulfo's half brother, Dr. Harmodio Arias, of the *Panama American*.

The opposition to De La Guardia, which originally consisted of the youth movement groups, Dr. Harmodio Arias and the Arnulfistas, has, however, increased because of the President's action in dissolving of the Assembly and in suspending the constitution. This opposition now includes a number of persons formerly close to De La Guardia and it is generally believed that, despite his announcement yesterday morning of a Cabinet representative of the seven orthodox political parties that have been supporting him in the past, a final solution of the crisis is not yet in sight.

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WARREN

819.00/1-1945 : Telegram

The Chargé in Panama (Butler) to the Secretary of State

PANAMA, January 19, 1945— 2 p. m.

[Received 5:30 p. m.]

60. The Foreign Minister³⁰ requested me to see him this morning. He wished to talk about the matters mentioned in the last paragraph of my telegram No. 58, January 19, 10 a. m.³¹ I had just come from an interview with Governor Mehaffey during which the Governor mentioned his preoccupation about the continued residence in the Tivoli of the group of opposition deputies and other Panamanians.

The Foreign Minister stated that he was speaking informally and not making an official request. He said that he understood the opposition intended to send a spokesman to the Embassy to denounce the De La Guardia Government.

²⁸ Ricardo Adolfo de la Guardia, President of Panama.

²⁹ Composed of partisans of former President Arnulfo Arias.

³⁰ Roberto Jimenez.

³¹ Not printed; the Chargé indicated in this telegram that the Embassy would receive any Panamanian in his private capacity, but those holding official positions would be received only through the Foreign Office (819.00/1-1945).

He stated that it must be difficult and embarrassing to American officials to have the opposition group resident in the Canal Zone and he wondered how much longer rooms would be available at the Tivoli.

I then explained the Embassy's attitude as set forth in the last paragraph of my telegram 58. The Foreign Minister said that the Panamanian Government appreciated this point of view. As concerns continued residence at the Tivoli I told the Minister that I had just discussed the question in general with Governor Mehaffey, that the latter would be in Washington next Monday and could discuss it further at the Department, but that in the meantime it seemed desirable to avoid any precipitate action that might aggravate the political situation. I promised to telegraph the Department and to let the Minister have any comment which Washington might make either before or after conferring with Governor Mehaffey when the latter reaches Washington. The Minister again expressed his appreciation.

I believe that Governor Mehaffey agrees with me that it would be desirable if some means could be found in the comparatively near future to inform the group at the Tivoli that accommodations no longer are available. The Foreign Minister told me this morning that warrants for the arrest of Deputy Vega ³² and four others who are not deputies have been issued by the District Attorney on criminal charges. I reminded the Minister of the talk which Ambassador Warren ³³ had had with President De la Guardia. The Minister stated categorically that the Government was not taking any political action against the group now at the Tivoli and emphasized that the charges against Vega and the four others are criminal charges. He stated that these charges still are under investigation and that no final decision has been taken although the warrants of arrest do exist. He stated that there is absolutely no reason why Duncan ³⁴ and the others could not return to Panama without danger of action against them on the part of the Government.

Governor Mehaffey has been informed of the foregoing.

As I left the Foreign Minister's office I met former Foreign Minister Lewis. He apparently is being consulted on foreign affairs and I believe he still is supporting the De la Guardia Government. He told Governor Mehaffey last night that if Ambassador Jimenez ³⁵ resigns he Lewis still is on the list as possible Ambassador to the United States.

BUTLER

³² Simon Vega, deputy in the Panamanian legislature.

³³ Avra M. Warren, formerly Ambassador to Panama, was now Director of the Office of American Republic Affairs.

³⁴ Jephtha Duncan, First Designate to the Presidency, and head of the opposition group in the Tivoli Hotel.

³⁵ Enrique A. Jimenez, Panamanian Ambassador to the United States.

819.00/1-1945 : Telegram

The Secretary of State to the Chargé in Panama (Butler)

WASHINGTON, January 20, 1945—8 p. m.

37. Your telegram no. 60 January 19, 2 p. m. There was an understanding between the Embassy and the Governor when the opposition deputies and other opposition Panamanians were admitted to the Tivoli that they should be allowed to stay so long as their rooms were not needed by Americans or others having room priorities.

It is the Department's opinion that this understanding should continue to be followed; that the persons in question have as much right to stay on at the Tivoli as any other Panamanians; and that the opposition is losing ground with the simple passage of time, so that any attempt at legal action against them would only be counter-productive as far as the Government of Panama is concerned.

STETTINIUS

819.00/2-1845 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 18, 1945—10 p. m.

[Received February 19—4:15 a. m.]

152. President de la Guardia called me to his office yesterday afternoon (February 17). He told me that he had reached the end of his patience with the ex-Diputados now residing at the Hotel Tivoli; that they were responsible for acts of violence in Panamá on February 17; that they were using the Hotel Tivoli as a center for political activities against his Government; that the self-styled Duncan³⁶ Government was actually operating from the hotel; that the United States Government through the Canal Zone was permitting them to engage in activities hostile to his Government with which we maintain diplomatic relations and which was [*has*] always cooperated with the United States Government and the Canal Zone authorities on all matters relating to the war effort and security of the canal, et cetera; and requested that the ex-Diputados be turned over to the Panamanian police at once.

I told the President while I had no authority in the matter I would bring his request to the attention of General Brett³⁷ and the Acting Governor of the Canal Zone.³⁸ The President said that he could not extradite them. I told the President that in my opinion the Canal Zone authorities would turn over the politicians to Panama provided

³⁶ As First Designate under the provisions of the old constitution, Jephtha Duncan would have succeeded to the Presidency on February 15.

³⁷ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

³⁸ Brig. Gen. F. K. Newcomer.

his Government requested their extradition but that in the absence of such a request and inasmuch as there is no proof that the politicians have committed acts within the Canal Zone inimical to the security of the Canal that the Canal Zone authorities could not accede to his request. The President then suggested that we do three things: 1) deny the politicians the right to stay at the Hotel Tivoli; 2) prevent them from holding political gatherings within the Canal Zone; and 3) prohibit them from patronizing restaurants, theaters, et cetera, in the Canal Zone. I told the President that I would place these points before General Brett and the Acting Governor and that I would endeavor to give him some definite information within a few hours. The President thanked me and said that in view of the seriousness of the situation he would receive me at any hour during the night.

There followed a meeting with General Brett, the Acting Governor, and their assistants at which time I reviewed in detail the statements and requests of the President. I suggested that General Brett and the Acting Governor attend the next meeting with the President but after carefully considering all phases of the problem they decided that it would be inadvisable for them to be present. It was agreed that I should inform the President that (1) they would act immediately on his official request to extradite the politicians provided the papers were found to be in order; and (2) if he declined to extradite them and insisted that they be denied quarters at the Tivoli Hotel that the Embassy and the Canal authorities would refer the matter to their respective departments in Washington for review and decision. General Brett advanced several reasons for not forcing them to leave the Tivoli while I pointed out that as the request came from President de la Guardia and the reasons for his request were very convincing, I would recommend to the Department of State that we accede to President's request and that I believe the Department would approve.

I met again with the President at 9 p. m., and the conference lasted until 11:15 p. m. Instead of furnishing the Department at this time with a detailed report of the meeting and in view of the President's request that the matter be referred to Washington at once, I quote below a translation of an *aide-mémoire* which President de la Guardia gave me at the close of the conference:

"In an interview held between the President of Panama and the Chargé d'Affaires ad interim of the United States, the President formally requested the Government of the United States to proceed immediately to the expulsion from the Hotel Tivoli of those persons sheltered there who have called themselves 'exilados' (exiled ones) from the Republic of Panama by reason of their unsubstantiated persecution by the Panamanian authorities.

The President based his petition on the fact that these persons have made unwarranted use of the asylum that the Government of the

United States has granted them, plotting in diverse ways to bring about the overthrow of the established government in the Republic of Panama.

Some members of the Assembly which was dissolved as a result of the Cabinet decree of December 29, 1944 proceeded in an illegal way by the swearing of incompetent substitutes to elect a designate to the Presidency of the Republic, an act directly opposed to the principles of recognized law. After the said designation, the men referred to continued to incite public opinion in such a way as to exceed the limits of toleration. And not only have they not confined themselves to making hostile declarations against the established government in the Republic, but they have also used the asylum offered by the Government of the United States to plot armed revolutions against the government.

It is known that the same persons have perpetrated violence against the very life of public officials even threatening the President of the Republic himself. A concrete example arose today when a bomb exploded in front of the secret police in the city of Panama and another in the private home of Camilo de la Guardia, Jr., ex-Minister of Government and Justice, destroying a window.

The above mentioned facts give conclusive support to the petition being made to the Government of the United States to bar within the jurisdiction of the Canal Zone persons who not only are making hostile gestures against the legitimate government of the Republic of Panama but who have gone so far as to attempt assassination against officials and ex-officials of the government.

Panama, February 17, 1945".

President de la Guardia repeated several times during the second meeting that "it is very important that you get them out of the Tivoli Hotel" and said that he was confident that if we do so at once the Tivoli Hotel opposition would fall apart within a few days.

In view of the opinion of the Commanding General of the Panama Canal Department as expressed to me late this afternoon that the removal from the hotel and distribution of the politicians throughout the Canal Zone (we can only presume that they would make every effort to avoid returning to Panama at this time) would be inimical to the best interests of the Panama Canal, it is believed that the best solution is deportation from the Canal Zone to Panama of the persons concerned. The Acting Governor has assured me that he has adequate authority for this action and is prepared to exercise it if the Department concurs. He said that the reasons for deportation are based upon the statements of President de la Guardia in the *aide-memoire* above quoted. General Brett favors the Governor's plan and is today submitting the facts to the War Department.

Repeated to Mexico for Assistant Secretary Rockefeller.³⁹

DONNELLY

³⁹ Nelson A. Rockefeller represented the United States at the Inter-American Conference on Problems of War and Peace, held in Mexico City, February-March, 1945.

819.00/2-1945 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMA, February 19, 1945—2 p. m.

[Received 7:58 p. m.]

155. I accompanied General Brett and Charles Taussig⁴⁰ on a courtesy call today on President de la Guardia. After the formalities were dispensed with the President referred to the "Tivoli affair" (my telegram No. 152 of February 18, 10 p. m.) and repeated that it was very important that we get the ex-Diputados out of the hotel. I told the President that following a conversation with General Brett on February 17 the latter had requested the Acting Governor to prevent political activities at the hotel and to restrict gatherings of the politicians to a maximum of four at any one time; that it was my understanding, and General Brett confirmed it, that this measure would be strictly enforced pending a decision on the President's request for the immediate removal of the politicians from the hotel.

The President said that he would probably send a letter to the Acting Governor today or tomorrow requesting the immediate extradition of two or three of the politicians at the hotel and that the request would be based upon criminal charges pending against them in the Republic of Panama. I then raised the hypothetical point of giving the politicians the option of travelling to the United States with the distinct understanding, however, that the United States Government would not grant them exit permits for an indefinite period or deportation to the Republic of Panama, the latter in the event that the interested departments in Washington approve the procedure. President de la Guardia said that his Government would not object to the politicians exercising the option and that his Government would give them the necessary departure permits.

Repeated to Mexico for Rockefeller and Berle.⁴¹

DONNELLY

819.00/2-1945 : Telegram

The Acting Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, February 19, 1945—7 p. m.

82. In confirmation of your telephone conversation with Mexico City today, the Department desires to emphasize that any action contemplated by President de la Guardia to obtain the eviction of his opposition from the Tivoli Hotel and the Canal Zone must be done in

⁴⁰ Adviser on Caribbean affairs.

⁴¹ Adolf A. Berle, Ambassador to Brazil, attending the Inter-American Conference on Problems of War and Peace.

accordance with legal procedure. The proper procedure open for this course of action is that of extradition under the Treaty.⁴²

GREW

819.00/2-1945 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 19, 1945—11 p. m.

[Received February 20—7:10 a. m.]

159. At 10:45 tonight a bomb exploded as two American Army officers were entering their private car which was parked near the Internacional Hotel in Panama City injuring one of the officers. The Panamanian police detained the two, taking the injured officer to a Panamanian hospital for treatment and second one to the police station. They have since been turned over to the American Military Police.

General Brett has taken the following action:

1. He has declared a normal alert.
2. He has instructed the Acting Governor to prohibit the politicians at the Tivoli Hotel from leaving the hotel, receiving visitors, visiting with each other, and from using the telephone or other communications.
3. He is telegraphing the War Department requesting an immediate decision on the measures that should be taken against the politicians at the Tivoli.

General Brett has just told me that bombs were also found tonight in cars of Panamanians. He believes therefore that the placing of the bomb was not intended to create an incident with the Canal authorities but was merely a part of a general terrorist movement.

As in this and all other matters relating to the present political situation, I am collaborating fully with General Brett and the Acting Governor and I am receiving their full cooperation.

Repeated to Mexico for Warren.⁴³

DONNELLY

819.00/2-2045 : Telegram

The Acting Secretary of State to the Director of the Office of American Republic Affairs (Warren), Temporarily in Mexico City

WASHINGTON, February 21, 1945—8 p. m.

350. The War Department has telegraphed General Brett to consult with and to be guided by Donnelly regarding the political as-

⁴² Treaty of Extradition, May 25, 1904, *Foreign Relations*, 1905, p. 713.

⁴³ Avra M. Warren was representing the United States at the Inter-American Conference on Problems of War and Peace in Mexico City.

pects of the alert, but does not wish to give him a definite directive about termination of the alert. War Department feels it can not decide on termination without giving General Brett some discretion to act according to actual situation in Panama. While deferring to the State Department in the political field, the War Department is of the opinion that the political activities of the Tivoli group impose responsibilities on General Brett as concerns the Canal Zone.

After considering telegrams 155, February 19, 2 p. m.; 159, February 19, 11 p. m.; and 168, February 20, 5 p. m. from Panama to the Department, which were repeated to you, and your 213, February 20, 10 p. m. to the Department,⁴⁴ there still is some uncertainty about the course of action to be followed by the Embassy and General Brett in Panama.

It is understood here that extradition is to be discouraged and may not be requested. If the Tivoli group is to remain at the hotel, the War Department feels that General Brett is left in a difficult position because of the undoubted political activities of the group in violation of their agreement with the Zone authorities.

The procedure favored by the War Department is for the Department of State to telegraph definite instructions to Donnelly regarding (a) termination of the alert, (b) restrictions to be imposed on political activities of Tivoli group, if they are to stay in the hotel, and (c) desirability of bringing about as soon as possible the departure of the group from the Zone. According to conversations with officers at the War Department, General Brett doubtless would follow the recommendations made by Donnelly acting under instructions from the Department of State.

In view of the foregoing, are there any more specific instructions that you care to telegraph to Donnelly?

Not repeated to Panama.

GREW

819.00/2-2145 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 21, 1945—11 p. m.

[Received February 22—4:15 a. m.]

170. Shortly after Warren's telegram of February 20, 10 p. m.⁴⁵ was received, Ambassador Lewis ⁴⁶ called on me to discuss the political

⁴⁴ Telegrams 168 and 213 not printed.

⁴⁵ Telegram 213, February 20, 10 p. m., from Mexico City, quoting message from Warren to Donnelly, not printed; Warren informed Donnelly that he had advised the Panamanian Foreign Minister (representing his country at the Conference) to suggest to his President the desirability of withholding requests for extradition (819.00/2-2045).

⁴⁶ Samuel Lewis, Appointed Panamanian Ambassador to the United States.

situation and means of solving the problems regarding the politicians in the Tivoli Hotel before February 23 when he will leave for Washington. Next I met with General Brett and Governor Mehaffey and impressed upon them that the problem was essentially political (General Brett has not yet received the War Department's instruction referred to in Warren's telegram).

It was agreed that every effort should be made to end the alert (which had been placed in effect by General Brett immediately upon his receiving word of a bomb exploding in the car of two Army officers) and to effect a satisfactory and prompt settlement of the situation regarding the politicians in the Tivoli Hotel. In this connection we agreed upon the following proposed formula:

(1) To ask President de la Guardia to withhold the request for extradition of the politicians from the Tivoli.

(2) To assure him that the Canal Zone authorities will take precautions to: (a) Prevent the politicians in the hotel from conducting political meetings in the hotel or in the Canal Zone. (b) Prevent meetings of more than four persons at any one time.

(3) The Canal Zone authorities to inform the present occupants (the politicians in the Tivoli Hotel) at a date to be fixed later (approximately two weeks from today) that owing to the demand for accommodations, rooms in the Tivoli Hotel would no longer be available to them.

(4) The alert to be lifted after the Canal Zone authorities are satisfied that the Government of Panama is maintaining peace and order in the republic and that the necessity for maintaining the intensified control now in effect over the Panamanians living in the Tivoli Hotel has ceased. (In other words, after receiving word from the President that the conditions outlined in his *aide-mémoire* of February 18⁴⁷ no longer exist).

The reasons for planning the delayed action mentioned in point 3 above are (a) the continued insistence of the President that they be denied accommodations at the hotel; (b) the desire to postpone action on this issue until shortly before or after the adjournment of the Conference in Mexico so as to preclude any possibility of their eviction becoming an issue in Mexico and (c) the conviction of all concerned that this was the only way to persuade President de la Guardia to agree not to extradite some of the politicians at this time (he had already signed the papers). General Brett and Governor Mehaffey have indicated they are most anxious to get the politicians out of the hotel.

Early this afternoon Governor Mehaffey told me that De Diego⁴⁸ of the Foreign Office had telephoned that he would present the corrected extradition papers within one-half hour. By prior arrange-

⁴⁷ Quoted in telegram 152, February 18, 10 p. m., from Panama, p. 1242.

⁴⁸ Mario de Diego, Director of Protocol.

ment with the Governor, De Diego called me upon his arrival with the papers at the Governor's office and I informed him that, as we had been working on a formula to settle the problem, I would appreciate his holding up the presentation of the papers until we had had an opportunity to discuss the situation with the President. De Diego agreed and made an appointment for me to see the President at 5 p. m. It was arranged that General Brett and Ambassador Lewis would be present at this meeting.

The meeting with the President lasted 2 hours and although it was very difficult at times and the President was absolutely intransigent with respect to getting the politicians out of the hotel he finally agreed to the proposed formula set forth above. I again reminded the President of his promise to Warren that the politicians in the Tivoli would not be molested. The President confirmed the statement but added that it was made on the assumption that they would not engage in political activities in the Canal Zone or do anything to disturb the peace and order of Panama. He said that as they are guilty on both charges that Warren (to whom he referred in the highest of terms) would hardly expect him to continue to maintain an attitude of indifference to them. He said that he would instruct the Foreign Office to send the Embassy a note tomorrow stating that in his opinion peace and order prevailed in Panama and requesting that the alert be lifted. I told him that as there had not been sufficient time today to inform the Department of the proposed formula I would do so tonight.

I strongly recommend the Department's approval of the proposed formula, especially with reference to denying accommodations to the guests at the hotel at a future date on the grounds that the rooms are needed for other purposes, with the distinct understanding of the President and of General Brett that this will not involve their expulsion from the Canal Zone to the Republic of Panama. I believe that if the Department approves the proposed formula it will be possible to lift the alert tomorrow, February 22, and that the political tension now existing here will ease.

Repeated to Mexico for Warren.

DONNELLY

819.00/2-2445 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 24, 1945—10 a. m.

[Received 2 p. m.]

187. It is now 10 a. m. and the Embassy has not yet received replies to its telegrams No. 170 February 21, 11 p. m., and 180 February 23

noon.⁵⁰ General Brett received a telegram last night from the War Department approving the formula and authorizing him to lift the alert. The War Department informed him that it had cleared the matter with the State Department and with Warren in Mexico City and that the latter had said that he would send a similar telegram to me. General Brett has decided to lift the alert at 12 noon today.

A representative of the Governor will meet with the Tivoli Hotel group this morning to inform them that (1) the alert will be lifted at 12 noon today; (2) the restrictions on their activities which have been in effect during the alert will terminate at noon and their status will again be governed by the rules in effect prior to the alert; (3) he will expect them to respect the spirit and letter of their agreement with him (copy of which is being forwarded by airmail); (4) he will remind them that their status at the hotel is of a temporary nature. The Governor will simultaneously send out a circular letter to all residents of the Canal Zone requiring them to report at once the names of any guests. The arms and ammunition taken from the politicians in the hotel (Embassy's No. 168 of February 20, 5 p. m.⁵²) will not be returned to them as long as they stay in the Canal Zone.⁵¹

Repeated to Mexico for Warren.

DONNELLY

819.00/3-845: Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, March 8, 1945—noon.

[Received 2:08 p. m.]

231. All of the politicians have now checked out of the Tivoli Hotel. Pablo Bares, Jose M. Varela and Alfredo Perez together with Simon Vega (see Embassy's telegram No. 217 of March 2, 1 p. m.⁵²) have taken refuge in the Costa Rican Embassy. The Panamanian Government has granted departure permits for the first three politicians to visit Costa Rica. They will leave on March 9 by the Taca⁵³ service. The Embassy is informed that the Costa Rican Government has authorized them to enter the country as political exiles.

The Embassy is reliably informed that the Panamanian Government has sent two members of the Panamanian national police to Costa Rica to check and report on the movements of the Panamanian political exiles there.

Jeptha Duncan is still the house guest of a family in the Canal Zone. The Governor does not intend to interfere with this arrangement but

⁵⁰ Latter not printed.

⁵¹ Approval by the Department of State of the proposed solution was indicated in its telegram 90, February 24, 7 p. m., to Panamá (819.00/2-2445).

⁵² Not printed.

⁵³ Transportes Aereos Centro-Americanos.

he will not permit Duncan to take refuge in the Tivoli Hotel. Duncan has indicated that he may return to Panama.⁵⁴

Repeated to Costa Rica and to Mexico for War[ren].

DONNELLY

819.00/10-2445 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, October 24, 1945—noon.

[Received 4 p. m.]

939. Embtel No. 935, October 23, noon.⁵⁵ President Jimenez ^{55a} told me this morning that the situation throughout the country has improved considerably as a result of his strong public statement on October 23. He is still confident that serious disturbances can be avoided.

It is the Embassy's impression that while the crisis has passed Arnulfo Arias and his followers are still capable of making trouble.

DONNELLY

819.00/10-2445 : Telegram

The Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, October 27, 1945—6 p. m.

560. Dept is concerned about political trends in Panama resulting from return and activities Arnulfo Arias as reported Urtel 935, Oct 23,⁵⁵ and previous communications.

Although Urtel 939, Oct 24, is more reassuring you may express following views to Panamanian authorities in case they raise with you question of political situation.

The joint interest created by the Panama Canal gives a special character to relations between our two countries which repeatedly has been recognized by both governments. Dept is confident that Panamanian Govt will understand, in view of this special relationship, that the maintenance of law and order in Panama through that country's own constitutional and representative processes is of special interest to Govt of US. Dept also is confident Panamanian Govt knows of our friendly interest and desire for continued cooperation in all problems of common concern.

BYRNES

⁵⁴ Telegram 264, March 17, 11 a. m., from Panama, reported that Duncan had returned to Panama (819.00/3-1745).

⁵⁵ Not printed; it reported the arrest of 34 members of the police, suspected of sympathies for Arnulfo Arias (819.00/10-2345).

^{55a} President Enrique A. Jiménez took office after his election by the Second National Constituent Assembly, June 15, 1945.

PARTICIPATION BY THE UNITED STATES IN THE DEVELOPMENT OF
PANAMANIAN PUBLIC WORKS AND FACILITIES⁵⁷

711.19/5-1845

*Memorandum of Conversation, by the Chief of the Division of
Caribbean and Central American Affairs (Cochran)*

[WASHINGTON,] May 18, 1945.

Participants: Samuel Lewis, Ambassador of Panama
Pedro Galindo, of the Panamanian Embassy
CCA—Mr. Cochran
CCA—Mr. Wilson

It was explained to the Ambassador that CCA wished to take this opportunity to go over all pending problems with Panama, beginning with our commitments under the Twelve Points Agreement of May 18, 1942.⁵⁸

Mr. Cochran first reviewed, in connection with the Twelve Points Agreement, matters which have been completed or upon which no further action is required at this time. Mr. Cochran pointed out, and Ambassador Lewis agreed, that matters under this heading included:

Return of Railroad property and lots (completed);
Smuggling from commissaries (no recent complaint);
Completion of Trans-Isthmian, Rio Hato and A-3 Highways;
Police should carry only billies (no problem);
Electric current for Madden Dam (no problem);
Cost of Rio Hato highway (completed);
Indemnity for traffic interruptions on highway (no problem);
Type of labor which should be imported into the Canal Zone.
(The Ambassador indicated that there was no current problem, but mentioned his recent conversations with Governor Mehaffey⁵⁹ regarding transfers of Panamanians from silver to gold rolls.)

The Ambassador agreed that nothing could be done during the war under the Twelve Points Agreement in regard to the construction of a tunnel or a bridge at Balboa, the moving of the railway station at Panama City, or the construction of an oil pipe line from Balboa to the Canal Zone boundary.

Ambassador Lewis was reminded that the transfer of the water works and sewerage facilities at Panama was still awaiting Panama's approval of the text of

- a) The Transfer Agreement
- b) The Operating Agreement

⁵⁷ Continued from *Foreign Relations*, 1944, vol. VII, pp. 1425-1440.

⁵⁸ Department of State Executive Agreement Series No. 452; 59 Stat. (pt. 2) 1289. For documentation on the negotiation of this agreement, see *Foreign Relations*, 1942, vol. VI, pp. 577 ff.

⁵⁹ Brig. Gen. Joseph C. Mehaffey, Governor of the Panama Canal.

It was pointed out that this was the only important matter which could be completed in the immediate future, if the Panamanian Government found it convenient to do so.

Next, Mr. Cochran reviewed the subjects which had been raised by Ambassador Lewis when he visited Washington as Foreign Minister in December, 1944. It was pointed out that Panama was receiving special facilities to obtain materials for the slum clearance project; that the United States had obtained the services of Mr. Arneson,⁶⁰ who is already in Panama, to act as architect on the foregoing project; that Mr. Tiere⁶¹ and Mr. Crane of the Federal Housing Administration had been aiding Panama from time to time with their advice; and that the cement plant project application had been approved by WPB.⁶² The United States had also detailed a statistician to Panama, Sidney W. Wilcox, to act as Director General of Statistics, as promised.

In regard to other matters which Ambassador Lewis had raised in December, it was pointed out to him, and he agreed, that the transfer of Paitilla Point must await a general study of the disposition of defense sites⁶³ which is now being undertaken by General Brett; that it was not possible during the war to justify priorities for materials for construction of the commercial airport of Panama, as explained last December, although Panama is in fact obtaining many materials under general license or Panamanian quotas; and that the United States can not, on the ground of military necessity, justify the facilitation of the supply of materials to construct a tuberculosis hospital, although any requests of course would be given sympathetic consideration. No lists of material needed have been received.

[Here follows record of discussion concerning a sewage disposal project, water supply, freight rates, highway development, and other matters.]

W[ILLIAM] P. C[OCHRAN]

711F.1914/8-345

The Department of State to the Panamanian Embassy

MEMORANDUM

Reference is made to the Department's memorandum of May 12, 1945 to the Embassy of Panama⁶⁴ regarding charges being made by the Panama Canal, subsequent to the enactment by the Congress of

⁶⁰ Stephen V. Arneson, City Planning Expert.

⁶¹ Presumably John L. Tierney.

⁶² War Production Board.

⁶³ For documentation on the status of the defense sites, see pp. 1231 ff.

⁶⁴ Not printed.

the United States of Public Law 48, approved May 3, 1943,⁶⁵ for amortization and interest on the Panama water and sewerage systems.

The Department concurs with the Secretary of War, to whom the Panamanian memoranda of February 27 and April 18, 1945⁶⁶ were submitted for study, that at the present time there is no authority of law for the discontinuance of the imposition and collection of water and sewerage rates, or for the discontinuance of the payment of amortization and interest prior to the transfer of the systems.

The agreement reached between Panama and the United States in the exchange of notes on May 18, 1942 stated that:

"When the authority of the Congress of the United States shall have been obtained therefor, the Government of the United States will transfer to the Government of the Republic of Panama free of cost all of its rights, title and interest in the system of sewers and waterworks in the cities of Panama and Colon.

"At that time the United States will renounce the right which it obtained in the first paragraph of Article VII of the Convention between the United States and the Republic of Panama signed at Washington, November 18, 1903,⁶⁷ as modified by Article VI of the Treaty between the United States and Panama signed at Washington March 2, 1936,⁶⁸ to acquire lands, buildings, water rights or other properties necessary for purposes of sanitation such as the collection or disposal of sewage and the distribution of water in the cities of Panama and Colon. The United States, likewise, will renounce the authority contained in Article VII of the above-mentioned Convention of 1903 to impose and collect water rates and sewerage rates in those cities which shall be sufficient to provide for the payment of interest and amortization of the principal of the cost of said works. It is understood that there will be no refund to Panama of amortization and interest payments or charges of any kind based on the Convention of 1903 and on the contracts of September 30, 1910."

The Act of May 3, 1943 included the following language:

"RESOLVED by the Senate and House of Representatives of the United States of America in Congress assembled, that the President of the United States be and is hereby, authorized to transfer to the Republic of Panama all the right, title, and interest of the United States in and to water sewerage systems installed by the United States in the cities of Panama and Colon: . . ."

⁶⁵ 57 Stat. 74.

⁶⁶ Neither printed; according to these memoranda, the Panamanian position was that the debt incurred by Panama for the water and sewer works was cancelled at the time that the Congress of the United States authorized their transfer to Panama, and the sums collected subsequently for interest and amortization should be turned over to the water fund and used for street repair (711F.1914/4-1845).

⁶⁷ *Foreign Relations*, 1904, p. 543.

⁶⁸ Department of State Treaty Series No. 945; 53 Stat. (pt. 3) 1807.

It will be noted that in the exchange of notes on May 18, 1942 it was agreed that when so authorized by the Congress the United States would transfer the water and sewerage systems and would renounce the authority to impose and collect water rates. The Act of May 3, 1943 merely authorized the President to accomplish the transfer which it was understood by all parties concerned at the time would be effected through an Executive Order followed by a negotiation by the two Governments of an appropriate formal transfer instrument and so-called operation contract. With this understanding in mind, the proposed instrument of transfer and conversations with the authorities of the Republic of Panama relating thereto have been based on the assumption that at the date of the transfer the United States would renounce the authority contained in the 1903 Convention to collect water and sewerage rates for the payment of interest and amortization.

By Executive Order 9551 of May 16, 1945 ⁶⁹ the President of the United States authorized and directed the Governor of the Panama Canal to transfer to the Republic of Panama the water and sewerage systems in accordance with the terms of the May 18, 1942 agreement and "upon such further terms respecting incidental and related matters as may be agreed upon between the authorized representatives of the Government of the Republic of Panama and the Governor of the Panama Canal."

The actual transfer to this date has not been effected in as much as the terms of the formal instrument by which the transfer will be made have not been agreed to by the Republic of Panama. It is understood that the draft of the proposed transfer instrument is in the hands of the Panamanian authorities where it has been under consideration for some time.

In expressing its regrets that it can find no obligation or legal means for complying with the request of the Panamanian Government prior to the date of the actual transfer of the water and sewerage systems, it might be of interest to point out, however, that this Government agrees that any surplus funds, over and above amortization and interest payments and authorized operating expenditures, which may have accumulated through collection of water rates in Panama subsequent to the enactment of Public Law 48, will be added to the surplus of the water funds collected prior to that date and which this Government has stated will be held by the Panama Canal for use after the transfer on major repairs, replacements and extensions of water works, sewers and payments in the cities of Panama and Colon.

WASHINGTON, August 3, 1945.

⁶⁹ 10 *Federal Register* 5709.

711F.1914/12-2845 : Telegram

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

PANAMÁ, December 28, 1945.

[Received December 28—11:58 a. m.]

1113. The Governor of the Panama Canal and the Panamanian Foreign Minister ⁷⁰ today signed an instrument transferring to the Republic of Panama the water and sewerage systems in the cities of Panama and Colon in accordance with Public Law No. 48, 78th Congress, approved May 3, 1943. They also signed a contract covering the management of the water and sewerage systems by the Panama Canal for the account of the Republic of Panama.

HINES

DISCUSSIONS CONCERNING A PROPOSED AIRPORT UNDER PANAMANIAN CONTROL AND A COMMERCIAL AVIATION AGREEMENT BETWEEN THE UNITED STATES AND PANAMA

819.796/2-2745

Memorandum by the Panamanian Minister for Foreign Affairs (Jimenez) to the Secretary of State ⁷¹

[Translation]

The Republic of Panama, desiring to take advantage of the great possibilities that its exceptional geographic position offers for the development of commercial aviation, has begun the work of construction of a modern airport in the vicinity of the city of Panama.

Sufficiently approximate calculations indicate that the cost of such airport will be \$6,000,000.

It is to be hoped that as soon as this work is finished the Government of the United States of America will suspend commercial traffic in the territory of the Canal Zone, in conformity with the provisions of the treaty of November 18, 1903 ⁷² and March 2, 1936, ⁷³ the latter of which established that with exception of activities referring to the construction, protection, maintenance, sanitation and defense of the Panama Canal the United States of America, "will not permit the establishment in the Canal Zone of private business enterprises other than those existing therein at the time of the signature of this treaty". It should be observed, for example, that the Albbrook Field Airport was opened to commercial aviation subsequent to the signature of the

⁷⁰ Ricardo J. Alfaro.

⁷¹ Handed to the Secretary in Mexico City where he and the Panamanian Foreign Minister represented their respective countries at the Inter-American Conference on Problems of War and Peace.

⁷² *Foreign Relations*, 1904, p. 543; Department of State Treaty Series No. 431.

⁷³ Department of State Treaty Series No. 945; 53 Stat. (pt. 3) 1807.

Treaty of 1936 and only as an emergency measure because the Republic of Panama was not in a position to offer the necessary accommodations.

The certainty cherished by the Government of Panama that the airports of the Canal Zone will be closed to commercial traffic upon the termination of the new Panamanian airport is based on the fact that the United States has always faithfully carried out its contractual obligations and also on the correspondence exchanged between the Embassy of Panama in Washington and the Department of State in the months of August and October, 1942, in which notes⁷⁴ it was stated that the building which was then being constructed on Albrook Field—today used for commercial aviation—had as its final purpose a military necessity and not the definitive implantation of civil aviation in the Canal Zone.

The Republic of Panama considers that the development of commercial aviation in territory under its jurisdiction is of vital importance for its economic, social and political development. Nevertheless, it does not lose from view the immense importance which aviation in the Republic has for the purpose of defense and protection of the Canal and accordingly it would be prepared to conclude an agreement with the United States of America whereby aviation in Panama in time of war would be regulated by a mixed commission appointed by the President of Panama which would consist of Panamanian officials and American officials—the latter being suggested by the United States Government—and in time of peace by a different system which would guarantee fully the security of the Canal and the unquestionable right of Panama to regulate aviation in its own territory.

MEXICO, February 27, 1945.

819.796/2-2745

Memorandum by Mr. Howard H. Wilson of the Division of Caribbean and Central American Affairs

[WASHINGTON,] March 16, 1945.

In attached memorandum of February 27, 1945,⁷⁵ delivered to the Secretary by the Panamanian Minister of Foreign Relations, Panama boldly ignores the existing agreement of 1929⁷⁶ for the control of aviation in the Republic, as well as the Aviation Board subsisting

⁷⁴ For texts of note from the Panamanian Ambassador of August 4, 1942, and the reply from the Secretary of State of October 28, see *Foreign Relations*, 1942, vol. VI, pp. 627 and 633, respectively.

⁷⁵ *Supra*.

⁷⁶ By exchange of notes dated April 22, 1929; for texts, see *Foreign Relations*, 1929, vol. III, pp. 728-729.

thereunder, and proposes that in time of war (only) aviation would be regulated by a mixed commission to be appointed by the President of Panama; but in time of peace a "different" system would apply, which would guarantee "the unquestionable right of Panama to regulate aviation in its own territory".

By a Foreign Office Note of October 18, 1944,⁷⁷ Panama unilaterally denounced the agreement of 1929 on the ground of constitutional limitations. The United States did not admit Panama's legal freedom to do so, but made no written reply. However, the Foreign Minister, Samuel Lewis, was informed officially and verbally at Blair House, on December 11, 1944,⁷⁸ that this Government did not recognize such unilateral denunciation.

At about the time when Panama denounced the agreement, United States authorities on the Isthmus submitted to General Brett certain recommendations as to the controls which should be required in the event that an international commercial airport were established on Panamanian territory. The controls recommended were very thoroughgoing and they included a bilateral international board; but they had reference primarily to a state of peace. It was assumed that it was not necessary to make such arrangements for time of war, or other emergency, since it was believed that existing treaties give the United States adequate rights of control at such times. On January 2, 1945, the Secretaries of War and Navy by a joint letter⁷⁹ informed the Secretary of State that they agreed that the said recommendations should be approved. They also stated that it was advisable "that the Aviation Board, established by an exchange of notes dated April 22, 1929, and recognized by the Defense Sites Agreement of 1942,⁸⁰ should be retained until the permanent United States—Panama Aviation Commission is established".

The attached memorandum states that Panama has begun the construction of an airport, and hopes that as soon as the airport is finished the United States will suspend commercial air traffic in the Canal Zone. The memorandum alleges that if the United States permitted commercial planes to continue to use Albrook Field, which is in the Canal Zone, this Government would be acting contrary to Section 5 of Article 3 of the Treaty of 1936. This section concerns the establishment of private business enterprises in the Canal Zone.

In this memorandum Panama appears to be almost exclusively concerned with the economic benefits which she may derive from the

⁷⁷ Note No. 1487 transmitted to the Department in despatch 597, October 19, 1944, not printed.

⁷⁸ Memorandum of conversation, December 11, 1944, not printed.

⁷⁹ Not printed.

⁸⁰ Agreement of May 18, 1942; for text, see Department of State Executive Agreement Series No. 359, or 57 Stat. (pt. 2) 1232.

Canal, and scarcely at all with its protection. I think Panama should be told that in interpreting the Treaty of 1936, Section 5 of Article 3 is necessarily governed by the provisions of Article 2, by which the two Governments are bound to take the measures necessary to insure the protection of the Canal. All such economic benefits must depend for their very existence upon the successful fulfillment of the "joint obligation", laid down in that Article, "to insure the effective and continuous operation of the Canal . . ."

Should it appear likely that Panama would not be sufficiently cooperative in negotiating and complying with the necessary controls, consideration could be given to the advisability of stimulating the development of an adequate airport in a neighboring country, or else to the development of such an airport in the Canal Zone as would render the projected Panamanian Airport superfluous. As Panama is interested in developing a great tourist business in connection with the airport, arrangements might then be made whereby there would be little conflict between military considerations and economic aspirations. While such arrangements would not satisfy Panamanian nationalists, and might sour our general relations somewhat, the Canal would apparently be safer than it would be under the proposals which Panama now advances.

819.796/2-2745

The Department of State to the Panamanian Embassy

MEMORANDUM

Reference is made to a memorandum dated February 27, 1945 which the Minister of Foreign Relations delivered to the Secretary of State at Mexico City, concerning civil aviation in the Republic of Panama.

While regarding the agreement established by the exchange of notes of April 22, 1929, together with the Aviation Board established thereunder and recognized by the Defense Sites Agreement of May 18, 1942, as still in effect, the Government of the United States is studying the proposal of the Government of Panama to enter into negotiations for a new agreement regarding aviation.

The interested agencies of the Government of the United States are already consulting with regard to the best method of meeting Panama's aspirations, in the light of the interest of both countries in assuring the protection of the Canal. The Department of State hopes soon to communicate once more with the Embassy of Panama in the premises.

WASHINGTON, May 5, 1945.

711.1927/8-2845

Minutes of Meeting of a Subcommittee of the Air Coordination Committee, by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

[WASHINGTON,] August 28, 1945.

Participants: Rear Admiral W. O. Spears (Navy Department)
 Commander L. Nivling (Navy Department)
 Lt. Comdr. J. Q. Newton (Navy Department)
 Major J. E. Green (War Department)
 Mr. John Sherman (Civil Aeronautics Board)
 Mr. Merrill Armour (Civil Aeronautics Board)
 Mr. Harry G. Tarrington (Civil Aeronautics Adm.)
 Mr. W. P. Cochran (CCA-Department of State)
 Mr. Stephen Latchford (AV⁸¹-Department of State)
 Mr. R. T. Yingling (LE⁸²-Department of State)
 Mr. M. M. Wise (CCA-Department of State)

The ACC Special Subcommittee on Panamanian Commercial Aviation met at the Department of State on August 28 with the above mentioned members and alternates in attendance. The ACC reference before the Subcommittee was a request for recommendations as to principles which should govern the cooperation of the United States and Panama with respect to future commercial aviation operations in the territory of the latter. Specifically before the Subcommittee was the work of preparing the draft of a proposed new Commercial Aviation Agreement with Panama to replace the one effective since 1929 but unilaterally abrogated by Panama in 1941.⁸³

Representatives from the Department of State advised the Subcommittee that the President of Panama and his cabinet recently had decided to re-establish the Aviation Commission created in 1929. However, members of the Subcommittee agreed that a Permanent Joint International Aviation Board, as recommended by General Brett⁸⁴ in his report of October 19, 1944 to the War Department, would be preferable to the former Aviation Commission and that, therefore, the final objective of the Subcommittee should not be influenced by the recent Panamanian decision.

The Subcommittee consequently directed that the War Department prepare the provisions (pertaining to the military) for a draft Commercial Aviation Agreement with Panama. The CAB,⁸⁵ likewise,

⁸¹ Aviation Division.

⁸² Office of the Legal Adviser.

⁸³ Note from the Panamanian Embassy to the Department of State, June 3, 1941, not printed.

⁸⁴ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

⁸⁵ Civil Aeronautics Board.

was asked to prepare for insertion in the Agreement, draft provisions pertaining to the civilian aspects of the commercial aviation policy. It was agreed that once the various groups represented on the Subcommittee had had opportunity to study the draft provisions, the whole Committee would then be reassembled to discuss the provisions of the proposed agreement.

There was brought to the attention of the Subcommittee a second reference from ACC. The reference expands the work of the Subcommittee by requesting that in its preparation of suggested principles to govern commercial aviation operations in Panama, it also proposes a suitable recommendation for the revision of the present civil aviation laws of Panama. This further reference came as a result of a recent request by the Panamanian Government that the Department of State and the War Department lend assistance in framing and establishing new civil air laws for Panama. The Subcommittee agreed that it would be inappropriate to discuss this second reference before forming the principles and draft agreement which fall under the request of the first ACC reference.

The Subcommittee meeting was adjourned to meet again at the call of the Department of State.

819.796/8-1345

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, September 1, 1945.

MY DEAR MR. SECRETARY: Reference is made to a letter of January 2, 1945 signed jointly by the Secretary of War and the Secretary of the Navy and to a subsequent memorandum of August 13, 1945,⁸⁶ from the Chief, Liaison Section Theater Group, DPD, WDGS, all relating to the establishment within the Republic of Panama of an airport for international commercial use. Also, particular reference is made to the report and recommendations, dated October 19, 1944, of the Commanding General, Caribbean Defense Command,⁸⁷ furnished to the Department of State on December 8, 1944.

The State Department concurs with the War and Navy Departments that the recommendations of the Commanding General should

⁸⁶ Neither printed.

⁸⁷ Transmitted to the Department by the Chargé in Panama in his despatch 2409, August 9, 1945, not printed. The Report contained these recommendations: (1) The United States should have exclusive jurisdiction over the air space above the "Defended Zone"; (2) there should be a Permanent Joint International Aviation Board to resolve aviation matters and coordinate flight plans and devices to control air traffic; (3) the United States should retain authority over procedures of the airport; (4) immigration and customs functions at the airport should be exercised by Canal Zone officials; (5) Canal Zone officials should operate a mail station. (819.796/8-945)

be approved in principle. While the State Department has recently been advised confidentially that the President of Panama and his Cabinet have decided to re-establish the Aviation Commission created in 1929, it is of the opinion that a Permanent Joint Aviation Board, such as recommended by General Brett, should continue to receive the serious consideration of the War, Navy and State Departments as an organization preferable to the former Aviation Commission. In this connection, there is forwarded herewith copy of the Minutes of August 28, 1945⁸⁸ of the ACC Subcommittee on Panamanian Commercial Aviation.

The Department believes, and its opinion is supported by the members of the ACC Subcommittee, that General Brett should refrain from offering assistance to Panama in framing and establishing new national civil air regulations until such time as a policy regarding control of civil aviation within the Republic of Panama is determined by the ACC Subcommittee and approved by all of the Departments and Agencies participating in the study.

The Department of State will be pleased to keep the Secretary of War informed concerning whatever progress is made in the studies referred to above.

Sincerely yours,

JAMES F. BYRNES

711.1927/12-1445

Memorandum by Mr. Murray M. Wise, Division of Caribbean and Central American Affairs, to the Chief of That Division (Cochran)

[WASHINGTON,] December 14, 1945.

The ACC Sub-Committee is being called for a meeting on Wednesday, December 19, at 3:00 p. m. in the State Department Conference Room 474. Attached is a copy of the draft agreement⁸⁹ originally drawn up by the War Department and modified by the State Department. In order to make the agreement as palatable as possible to the Panamanians various "whereas" clauses are being suggested as a preface to the agreement. The other most significant change has been with reference to jurisdiction of the proposed permanent Joint International Board over the so-called "defended zone".

It is the opinion of the State Department that it would be very difficult to prevail upon the Panamanian Government to grant United States Armed Forces absolute jurisdiction over the defended zone during peacetime and that it would be politically inadvisable to raise the point at this time. It is felt that the proposed International Avia-

⁸⁸ *Supra.*

⁸⁹ Not printed.

tion Board in peacetime should have control over all air traffic in the Republic of Panama. The Commission would be composed of an equal number of representatives of each Government but, in practice, owing to the lack of experienced personnel in Panama, unquestionably the United States members would have the controlling influence. The American Embassy believes that Panama will agree to a joint control over all air activities in the Republic if civilian and military standards and requirements are reasonable.

[The minutes of the meeting of the subcommittee held on December 20, not printed, indicate that a redraft was made and that instructions were given to circulate it for clearance among the appropriate civil and military authorities in Panama (711.1927/12-2045).]

819.796/2-2745

The Department of State to the Panamanian Embassy

MEMORANDUM

Further reference is made to a memorandum dated February 27, 1945 which the Panamanian Minister of Foreign Affairs delivered to the Secretary of State at Mexico City, and to the Department's subsequent memoranda of reply dated May 5⁹⁰ and September 1, 1945.⁹¹ These exchanges of memoranda relate to the development of commercial aviation on the Isthmus of Panama and to the desire of the Panamanian authorities that there be created a new international aviation body whose structure would guarantee both the security of the Panama Canal and the sovereignty of the Republic of Panama

Studies by the appropriate departments of this Government lead to the conclusion that the best method for meeting Panama's aspirations for the establishment of a cooperative system for the control of commercial aviation operations in Panama is through the negotiation of a new aviation agreement to replace that established by exchange of notes of April 22, 1929. Substantial progress has now been made in the drafting of an agreement which in due course will be proposed to the Panamanian Government. While consideration is still being given to the more recent Panamanian request for assistance in the revision of the civil air regulations of the Republic, it is believed that such assistance should properly follow the negotiation of the aviation agreement referred to above.

⁹⁰ See memorandum to the Panamanian Embassy, May 5, p. 1259.

⁹¹ Not printed.

The Department of State will communicate again with the Embassy when a definite proposal for the creation of a new international aviation body has been completed.

WASHINGTON, January 9, 1946.

DISCUSSIONS REGARDING PROTECTION OF AMERICAN BUSINESS
INTERESTS IN PANAMA FROM RESTRICTIVE LEGISLATION AND OF
PROPOSED TREATIES OF COMMERCE AND TRADE

819.011/2-2845 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, February 28, 1945—4 p. m.

[Received 6:52 p. m.]

208. In connection with proposed informal conversations with officials of the Panamanian Government regarding the provisions of the Nationalization of Commerce Act and articles in the proposed constitution discriminating against foreign business enterprises in Panama, it would be helpful if the Department could send the Embassy as quickly as possible a statement of the treatment accorded to foreigners legally admitted into the United States to engage in business there. The Embassy is of the impression that no discrimination exists but hesitates to make this statement to the Panamanian authorities in view of the nonuniformity of legislation in the different states. If it can be established that Panamanians legally residing in the United States are entitled to the same treatment as citizens of the United States as regards their engaging in all phases of commerce and industry the Panamanian Government may agree to modify the existing and proposed legislation so as to provide for reciprocal treatment.

Certain articles in the proposed constitution (see Articles 21, 25, 218 and 219 of the proposed constitution⁹² copy transmitted with Embassy's despatch No. 1263 of February 19, 1945⁹³) are much more drastic than the Nationalization of Commerce Acts and if adopted by the National Assembly, which is scheduled to convene in June, would force a number of American companies operating in Panama to liquidate their businesses at once. The Embassy suggests that amendments to existing legislation and changes in the proposed constitution in order to provide for reciprocal treatment would establish an important precedent not only for Panama but for all the American Republics.

DONNELLY

⁹² As it appeared in *La Nacion* of Panama, February 18, 1945.

⁹³ Not printed.

819.011/2-2845 : Telegram

The Acting Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, March 9, 1945—8 p. m.

114. Urtel no. 208 of February 28. Reference Embassy's request for statement as to treatment accorded to legally admitted foreigners in the United States.

While the Constitution of the United States does not grant political rights to aliens, those parts of the Constitution which protect individuals against unreasonably restrictive or discriminatory legislation benefit aliens as well as citizens. This is notably true of the due process clauses of the Constitution and of the "equal protection" clause in the Fourteenth Amendment. Certain forms of business activity, as, for example, public utilities, communication and shipping, and government employment generally, are, under existing federal and state legislation, usually denied to foreigners. There is a limited sphere within which state laws may, in the application of the states' police power, restrict occupational activities of persons generally in matters involving the public health, safety, morals or general welfare. If tested in the courts, such laws, in order to be sustained as valid, must accord with provisions of the federal Constitution referred to above, and with the provisions of any applicable treaties of the United States.

For illustrative judicial decisions indicating the extent to which aliens in the United States have been upheld in the enjoyment of rights under the Constitution, as supplemented in some cases by the provisions of treaties, reference may be made to Hackworth's *Digest of International Law*, volume III, pages 612 to 639.

You may at your discretion emphasize this Government's concern that the provisions of the proposed Constitution of Panama shall not be made the basis for discriminatory treatment of American nationals in a manner which would be in contrast with the liberal principles applied, under the Constitution and treaties of the United States, in the treatment of aliens legally admitted to this country.

GREW

611.1931/3-2045 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, March 20, 1945—4 p. m.

[Received 9:50 p. m.]

271. Both President de la Guardia and the Foreign Minister ⁹⁴ remarked to me today in the course of a conversation relating to the

⁹⁴ Roberto Jimenez.

legislation discriminating against American business interests in Panama that the Panamanian Government would prefer to settle this matter by means of a commercial treaty between the two countries. President de la Guardia said that it might be possible to negotiate and sign a treaty between now and June 15 on which date he will resign as President of the Republic, but that the treaty would be subject to the approval of the Constitutional Assembly. I told him that I would inform the Department and request instructions in the premises. I desire to point out that while the President and the Foreign Minister voluntarily expressed a preference for a commercial treaty the latter told me ATC [at a] subsequent meeting that in his opinion a treaty of friendship, commerce and navigation would serve the purpose. If the Department perceives no objection to such treaty, would it be possible to be guided by the terms of the friendship, commerce and navigation treaty between the United States and Liberia?⁹⁵

DONNELLY

611.1931/3-2045 : Telegram

The Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, April 2, 1945—5 p. m.

146. Reurtel 271, March 20, 4 p. m. Department is in general favorably disposed toward proposal to initiate negotiations looking toward a treaty of friendship, commerce and navigation with Panama. However, Department is concerned at implications of proposed Constitutional provisions which establish serious discriminations against foreigners, including American citizens, as regards engaging in normal business activities in Panama. Department understands that you have already pointed out to the Government of Panama the concern with which it views these proposals in the light of our own legal guarantees to aliens. Department also feels that the proposals conflict with the economic charter and declaration of principles approved at the recent conference at Mexico City.⁹⁶ Department would not be disposed to negotiate a commercial treaty involving valid concessions by us as a *quid pro quo* for the abandonment of such proposed provisions, realizing (for your confidential information only) that the proposals may have been drafted and included for exactly such bargaining purposes.

⁹⁵ Treaty of August 8, 1938, Department of State, Treaty Series No. 956; 54 Stat. (pt. 2) 1739.

⁹⁶ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), pp. 49 and 92.

Neither would the Department be willing to begin negotiations for a commercial treaty were present legislation discriminating against foreigners, including American citizens, to be used for bargaining purposes therein.

You may therefore inform the Foreign Minister that your Government is willing to undertake the negotiations which have been discussed, providing existing and proposed discriminatory legislation is not to be used as a bargaining weapon therein. If his reaction is favorable, Department is prepared to forward you for presentation to the Panamanian Government for its consideration a draft treaty similar to the Liberian commercial treaty mentioned in your telegram under reference but containing certain improvements thereon.

With reference to your despatch no. 1444 of March 23, 1945,⁹⁷ if Panamanian President replies favorably to suggestion which you have made through Minister Chiari,⁹⁸ regarding issuance of decree giving reciprocal treatment to Americans, Department would have no further doubts as to feasibility of commencing negotiations at once for treaty of friendship, commerce and navigation, ReEmb 271, March 20, on the understanding, indicated in conversation with President and Minister of Foreign Affairs of March 14, 1945, as reported in your despatch 1411, March 16, 1945,⁹⁷ that administration will also oppose adoption of similar provisions in proposed Constitution.

STETTINIUS

611.1931/4-2045 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, April 20, 1945—6 p. m.
[Received April 21—1:20 a. m.]

366. Reference Department's telegram 146, April 2, 5 p. m. I quote below a free translation of a note of April 20, 1945, from the Ministry of Foreign Affairs in reply to the Embassy's note of March 15, 1945, copy of which was transmitted with the Embassy's despatch No. 1411 of March 16:⁹⁹

"The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and has pleasure in acknowledging receipt of its verbal note dated March 15, 1945 with reference to certain legal dispositions existing in Panama which regulate the exercise of commerce and which, according to the Embassy, place obstacles in the way of the conduct of commercial activities in Panama for foreigners.

⁹⁷ Not printed.

⁹⁸ Roberto El. Chiari, Minister of Health and Public Works.

⁹⁹ Neither printed.

In the same sense this verbal note refers to some articles of the proposed constitution prepared by a committee of jurists appointed for this purpose by the executive branch of the government.

The Ministry of Foreign Affairs has taken due note of the observations and comments of the Embassy of the United States of America and in turn desires to make the following statements:

The Government of Panama considers that the regulation of commerce is not a matter that should be embodied in the constitution of a nation since this should be limited to describing the general standards which constitute the essential bases upon which the entire juridical structure of a nation rests. Nevertheless, the constitution should contain a basis on which to legislate commerce in accordance with the needs of the country.

The modified project which the government proposes to present to the constitutional convention when it meets will eliminate all the articles of the project of the commission which constitute regulation of commerce.

Although it is not a function of this government to impose obligatory rules on the constitutional convention the government is confident that the convention will not adopt measures that may cause harm to the nationals of the United States of America.

It has never been the intent of the present government to discriminate against citizens of the United States on the conduct of their commerce. The government considers that it would be beneficial that a commercial treaty be entered into by the two countries which would establish an equitable basis for a just commercial interchange between the Republic of Panama and the United States of America and by which all matters pertaining to commerce which interest the nationals of both countries would be clearly and permanently settled."

While the Embassy regards as very favorable the statements in the note from the Foreign Office and the repeated assurances of President de la Guardia that the discriminatory commercial legislation will not be applied against American business in Panama, it suggests that the Department take no action at this time with respect to a proposed commercial treaty with Panama. It is clear that the Panamanian Government is not interested in negotiating a treaty of friendship, commerce and navigation, but desires to enter into negotiations for a commercial treaty so as to embody provisions relating to freight rates, trade with the Canal Zone, et cetera. While the Panamanian Government has expressed the belief that the constitutional assembly will delete from the proposed constitution all restrictions on trade that might prejudice American interests, it is important to remember that the assembly will not convene until June and that it will take at least 2 or 3 months to adopt the new constitution. The Embassy is in entire agreement with the Department that a proposed commercial treaty should not be used to bargain for the removal of discriminations and suggests that if the Department will continue to emphasize this point to the Panamanian Ambassador to the United States the Panamanian

Government will within a reasonable time legislatively exclude Americans and possibly other nationals from the provisions of the present discriminatory legislation.

The Embassy is pleased with the note because it is the first time that the de la Guardia Government which, together with the short lived Arnulfo Arias² regime, enacted and later reinforced the laws excluding all foreigners from engaging in commerce in Panama has confirmed its frequent oral statements in writing that Americans were excepted from the legislation.

DONNELLY

811F.244/6-245 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, June 2, 1945—7 p. m.

[Received 10 p. m.]

533. See Emb despatch 1770 of May 22, 1945.³ *La Estrella De Panama* today reported that the Canal Zone authorities have issued an order limiting the gold commissary purchase privilege⁴ to [of] alien civilian employees to \$50 per month if single and \$100 per month if married.

The order which became effective on June 1 will result in complaints here on the grounds of discrimination in the treatment of US and Panamanian civilian employees. In fact the FonOff today called me there to discuss the matter. I have exchanged views with the Governor of the Panama Canal and at my suggestion a meeting will be held next week of representatives of the FonOff, the Embassy and the Panama Canal when we will endeavor to arrive at a satisfactory solution of the problem especially the charge of discrimination.

DONNELLY

819.5034/6-545 : Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

[Extract]

PANAMÁ, June 55, 1945—5 p. m.

[Received 9:15 p. m.]

542. President de la Guardia invited me to call on him on June 4 to review matters pending between the two Govts prior to his leav-

² President of Panama from October 1940 to October 1941.

³ Not printed; the Chargé reported in this despatch that steps were being taken in the Canal Zone to curtail contraband trade in merchandise sold by the commissaries (811F.244/5-2245).

⁴ A privilege extended to members of the so-called gold roll, or the skilled employees of the Canal Zone.

ing office. He voluntarily referred to the Nationalization of Commerce Act and emphasized the importance of an early agreement between the two Govts so that American businessmen might enjoy the same privileges as Panamanian businessmen. He expressed the belief that the Constitutional Assembly will not accept articles 218 and 219 of the proposed constitution without amendments, or that it might reject them altogether and instead approve articles providing that (1) the regulation of commerce should be subject to separate legislation and (2) calling upon the Govt to conclude commercial treaties. The President suggested the desirability of the Govts of the US and Panama agreeing upon a formula for the protection of American business interests before the Assembly has time to consider the commercial provisions of the proposed constitution. He proposed that it take the form of an Emb *aide-mémoire* to the Foreign Office referring to the Embs *aide-mémoire* of March 15 and the FO's reply of April 20, 1945,⁵ stating that the US Govt is interested in negotiating a treaty of friendship, commerce and navigation with the Govt of Panama and that it would be prepared to initiate conversations at a later date with the Govt of Panama for a commercial treaty.

I told the President that while I was confident the Dept would agree to negotiate a treaty of friendship, commerce and navigation, I could not express an opinion with respect to a commercial treaty but that I could say that our Govt would not agree to negotiate the treaties simultaneously; that the treaty of friendship, etc., should come first and that its acceptance should not be conditioned upon the consummation of a commercial treaty. I informed the President that I would advise the Dept of his suggestions and request the Dept's views.

The President said that if our Govt approved the procedure he would, upon receipt of the *aide-mémoire*, refer the plan to his Cabinet and if they approved it arrangements could be made immediately for an exchange of notes confirming the intention of the two Govts to negotiate a treaty of friendship, etc., and at the same time the two Govts would exchange letter[s] indicating their intention of initiating conversations for a commercial treaty. The President said the exchange of notes and letters could be effected before he leaves office on June 15 and that although the negotiation of the treaty of friendship, etc., would be conducted by the new Govt, the exchange of notes would be binding on it and would minimize the possibility of the adoption of articles 218 and 219 by the Constitutional Assembly.

DONNELLY

⁵ Neither printed.

811F.244/6-845

*Memorandum of Conversation, by the Chargé in Panama (Donnelly)**

[Extract]

[PANAMÁ,] June 8, 1945.

Subject: Restrictions on Commissary Purchase Privileges

Participants: Lic. Miguel J. Moreno, Acting First Secretary of
the Ministry of Foreign AffairsLt. General G. H. Brett, Commanding, Panama Canal
DepartmentBrigadier General F. K. Newcomer, Acting Governor,
The Panama Canal

Walter J. Donnelly, Chargé d'Affairs, a.i.

Mr. Moreno telephoned me on June 6 to state that the Foreign Office had received additional complaints from citizens of Panamá on the "gold" payroll of The Panama Canal against the order of The Panama Canal and the Army and Navy restricting commissary privileges to \$100 per month for married persons and \$50 per month for single persons charging that the order discriminated against Panamanian citizens. I suggested to Mr. Moreno that I would request a clarification of the order and I told him that I would arrange a meeting with General Brett and the Acting Governor in a few days. The meeting took place today.

Both General Brett and the Acting Governor assured Mr. Moreno that the order does not discriminate against Panamanian citizens and that it is intended to (1) assist in suppressing contraband trade in commissary goods which all present agreed had reached alarming figures; (2) respect the undertaking to suppress contraband in commissary goods as provided for in one of the Twelve Points annexed to the Defense Sites Agreement of 1942⁷ and (3), economize on the consumption of foodstuffs in keeping with the announced policy of the United States Government and the United Nations. The Acting Governor said that the restrictions were put into effect only after a very careful survey had been made of purchases by all employees of The Panama Canal; that the order applies to holders of identification cards with numbers from 16,000 to 274,999 inclusive because it has been found that the great majority of the abuses have taken place among the individuals holding cards in these categories. The Acting Governor cited several instances of individuals buying commissary

* Copy transmitted to the Department in despatch 1862, June 8, 1945, from Panama; received June 12.

⁷ For text of the Defense Sites Agreement, see Department of State Executive Agreement Series, No. 359, or 57 Stat. (pt. 2) 1232; for text of the Twelve Points agreement, see Executive Agreement Series No. 452, or 59 Stat. (pt. 2) 1289.

goods in excess of their salaries and added that a few Americans were also guilty.

Mr. Moreno expressed satisfaction with the Acting Governor's statement that the order restricting the purchases to \$100 and \$50 to married and single persons respectively has long since applied to some 5,000 American citizens living in the Canal Zone but who are not employed by the Panama Canal. The Acting Governor also pointed out that The Panama Canal maintains a very careful check over the purchases of their employees and that abuses are corrected at once.

WALTER J. DONNELLY

819.5034/6-545 : Telegram

The Acting Secretary of State to the Chargé in Panama (Donnelly)

WASHINGTON, June 9, 1945—7 p. m.

270. So long as possibility exists that proposed constitutional discriminations against Americans engaged in commerce might be used for bargaining purposes, it would hardly seem feasible either to discuss the negotiation of a standard treaty of friendship, commerce and navigation or to make an implied commitment to negotiate some other kind of treaty which the Panamanians speak of as a commercial treaty. Reurtel 542, June 5, Dept's policy is still as set forth in Deptel 146, April 2, especially last two paragraphs and second paragraph urtel under reference. Furthermore, Dept perceives no advantage to be gained by attempting to negotiate a treaty or exchange of notes with an administration leaving office in a few days^{*} and which may not be able to control actions of Constitutional Assembly. Consequently, unless you perceive some desirable end to be obtained, Dept feels an exchange of notes, whose only real object would be to commit us by implication to negotiate a so-called commercial treaty as mentioned above, would be undesirable and a reversal of the policy discussed in Deptel 146.

You are consequently authorized to inform President de la Guardia that while Dept is always willing to discuss with the Government of Panama any and all questions affecting relations between the two Governments, it cannot see its way clear to undertaking negotiations of any kind so long as the constitutional situation regarding nationalization of commerce is obscure.

GREW

^{*} Enrique A. Jimenez was inaugurated as President on June 15, 1945, after election by the Constituent Assembly.

711.192/8-1045

Memorandum by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs to the Director of the Office of American Republic Affairs (Warren)

[WASHINGTON,] August 10, 1945.

There is considerable loose talk by the Panamanian public relative to the negotiation of a commercial treaty with the United States. The general idea is that such a treaty would cover in great detail all phases of economic activity and bring to Panama advantages from its geographical location, not heretofore enjoyed. For Panamanians it would solve long standing issues such as protection of local merchants from sales in Canal Zone commissaries, ships' service stores and post exchanges (including luxury items and beer); discrimination in ocean and freight rates charged by the Panama Railroad Company; gold and silver payrolls; the establishment of a duty free port; the sale of Panamanian merchandise in the Canal Zone, etc. In other words the treaty should not be one of generalities but one which would help solve commercial problems peculiar to Panama and promote national industrial and agricultural development.

The United States Government has long opposed the negotiation with Panama of the type treaty emphasized above. Our interest has been in reciprocal agreements. Hence, it seems that we should talk with the Panamanians on the standard Treaty of Friendship, Commerce and Navigation, such as is being negotiated with other countries.

If the idea expressed in the above paragraph still obtains, it might be advisable for the Department to get a standard draft proposal to the Panamanians before the Ambassador⁹ comes in with a long list of problems he hopes to settle through the negotiation of a special commercial treaty. May I have your views?¹⁰

819.011/9-1945: Telegram

The Chargé in Panama (Donnelly) to the Secretary of State

PANAMÁ, September 19, 1945—11 a. m.

[Received 3:09 p. m.]

851. The committee studying proposed constitution will vote today on articles relating to nationalization of commerce. While proposed compromise represents a substantial improvement over original draft, the President has again informed me that he still feels that nationalization of commerce should take the form of separate legislation and

⁹ J. J. Vallarino.

¹⁰ In a marginal note Mr. Warren approved the suggestion and authorized action.

that he will use his influence in this direction at the appropriate time.

DONNELLY

819.5034/10-1145

*Memorandum by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs*¹¹

[WASHINGTON,] October 30, 1945.

President Jimenez publicly announced his opinion that protective legislative measures already enacted (Law 24 of 1941) for the nationalization of retail commerce should be maintained. He added, however, that it would be inconvenient and dangerous to establish constitutional restrictions applicable to wholesale and manufacturing business. He warned against closing doors to foreign capital and added that such action might block the possibility of arriving at a commercial treaty with the United States.

The Embassy has maintained firmly and constantly its insistence on reciprocity and equal commercial rights for Americans in Panama comparable to those accorded Panamanians in the United States.

Comment: The draft of the proposed constitution has been read by the Constitutional Assembly. The second reading with debate is now in process. Articles pertaining to the nationalization of commerce as yet have not been debated in the Assembly.

819.011/11-945

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

[Extracts]

No. 57

PANAMÁ, November 9, 1945.

[Received November 15.]

SIR: With reference to previous correspondence on the articles of the proposed Constitution relating to the Nationalization of Commerce . . .

As regards Article 219 and other articles of the proposed Constitution relating to the nationalization of wholesale and retail trades, the President assured me that the Panamanian Government has no intention of discriminating against nationals of the United States and that they desire to grant to nationals of the United States the same rights as nationals of Panama. He remarked that the pro-

¹¹This memorandum is a digest of despatch 2950, October 11, 1945, from Panama, not printed.

posed articles of the Constitution are not very clear on this point and that he had instructed the Foreign Minister to study the matter at once and to prepare a formula satisfactory to both governments.

Respectfully yours,

FRANK T. HINES

711.192/12-445

Memorandum of Conversation, by Mr. Murray M. Wise of the Division of Caribbean and Central American Affairs

[WASHINGTON,] December 4, 1945.

Participants: Dr. J. J. Vallarino, Ambassador of Panama
Señor Julio Ernesto Huertematte, Commercial Counselor
Fred Latimer, American Embassy, Panama
Mr. Wilson—CP¹²
Mr. Keating—CP
Mr. Cochran—CCA¹³
Mr. Anderson—CCA
Mr. Wise—CCA

Ambassador Vallarino, at his request, with Sr. Huertematte called at the Department to initiate a series of discussions which he hoped would lead to the negotiation between the United States and Panama of a Treaty of Friendship, Commerce and Navigation. The Ambassador explained that there were various economic problems in the relations between the two Governments which had been pending for many years and which should be frankly discussed with a view to arriving at a mutually satisfactory solution. He believed that the negotiation of a commercial treaty would be advisable and would be the answer to problems which had so long worried the Panamanians. The Ambassador said that because of the partnership interest in the Panama Canal both governments should be willing to face squarely the question of the ruinous competition of Canal Zone commissary and post exchange sales which confront Panamanian merchants. He added that American businessmen in Panama were interested in a commercial treaty since it was felt their own interests would likewise be protected.

Mr. Cochran pointed out to the Ambassador his understanding that sometime ago the American Embassy at Panama had informed the Panamanian authorities that this Government would be quite willing to discuss with them the possibilities of negotiating a commercial

¹² Division of Commercial Policy.

¹³ Division of Caribbean and Central American Affairs.

treaty whose provisions would be somewhat similar to those of the treaty negotiated with Liberia. The Ambassador replied that that was true but that because of the unique relationship between the two Governments resulting from the presence of the Canal Zone there would have to be inserted in such a treaty provisions adaptable to this situation which does not exist in any other part of the world. Mr. Cochran pointed out that since the negotiation of the Liberian treaty substantial revisions had been made in some articles of the "standard" treaties but agreed that the negotiation of a commercial treaty with Panama would involve special considerations. He warned, however, that it would not be possible to solve many of the economic problems which the Ambassador had in mind, since they really fell beyond the scope of commercial treaties.

Sr. Huertematte rather spiritedly launched into an explanation, giving in some detail various examples, of how sales in the Canal Zone unjustly adversely affected Panamanian business. (The basis for some of his complaints could be understood although it appeared he might be speaking from a rather biased and prejudiced point of view since it is his family that owns and operates the famous Bazar Frances. It was felt that some of his statements may have been somewhat exaggerated.)

Mr. Wilson then discussed the type of treaty under discussion and said that it includes establishment provisions, provisions on commerce, and provisions relating to navigation and transit. Sr. Huertematte suggested that provisions on such a subject as transit might be of little use in a treaty between the United States and Panama, and urged that some of the problems which were peculiar to the relations between the two countries would need to be considered.

At the conclusion of these introductory exchanges of ideas Ambassador Vallarino felt that progress had been made and that agreement could probably be reached as to what should be included in the treaty and added that the mere announcement in Panama that negotiations had started would be most helpful and well-received by the Panamanian Government and merchants. (The Ambassador has felt that his mission to Washington has been rather unsuccessful insofar as actual accomplishment in the solution of pending negotiations is concerned, and appeared pleased over the possibility of getting somewhere on the negotiation of a commercial treaty.)

Mr. Cochran said he wanted to make it clear to the Ambassador, although the two matters were not related, that the Department could not take to the Congress of the United States for approval a draft commercial treaty with Panama as long as the settlement of the el

Encanto-Mariposa claim ¹⁴ is pending. The Ambassador said that before the words were spoken he knew what was coming and that the Department could rest assured that he was doing everything he could to get his Government to make a move on the claims' settlement.

Mr. Cochran and Mr. Wilson informed the Ambassador that the Department had already drawn up in draft form articles for inclusion in a "standard" commercial treaty ¹⁵ of the general type which was negotiated with Liberia, and explained that it would be discussed with the Panamanians as soon as the Embassy at Panama had been given a chance to study and comment on the draft articles.

In conclusion the Ambassador referred to his concern over the status of Panamanian students with relation to the Selective Service System, the details of which are covered in separate memoranda. Mr. Wilson did point out, however, that many of the past commercial treaties of the United States have contained provisions concerning the conscription of nationals of one party in the territory of the other, and felt that this phase of the relationships between the two Governments might be discussed in connection with the present negotiation. Officers of CCA said that, since Panama has no Army it might be difficult to cover the special nature of Selective Service cases which arise over Panamanian youth in the United States; they were willing to explore the possibilities of working out something feasible in the line of Mr. Wilson's suggestion, which, of course, would not be considered applicable in a retroactive sense.

711.192/1-1546

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

No. 584

PANAMÁ, January 15, 1946.

[Received January 26.]

SIR: I have the honor to refer to the Department's instruction No. 531 of December 4, 1945,¹⁶ enclosing the draft of a Treaty of Friendship, Commerce and Navigation with Panama.

The Embassy has examined the provisions of the draft and perceives no objections to them, but feels that the proposal is perhaps too long and too complicated and respectfully suggests that it be re-examined in the Department with the view of simplifying it. While the Em-

¹⁴ The claim, of long standing, was for compensation for a tract of land which was confiscated by the Panamanian Government. A considerable portion of the land was at one time the possession of the Mariposa Development Company.

¹⁵ Draft agreement, not printed, transmitted to the Ambassador in Panama in instruction 531, December 4, 1945 (711.192/12-445).

¹⁶ Not printed.

bassy is still of the opinion that such a treaty should be negotiated with Panama for the purpose of protecting present and future business interests of United States citizens in this country, the need for such a treaty is not as urgent as it was in September 1945 because the National Constituent Assembly has adopted a more reasonable attitude toward United States business interests in Panama. If the National Constituent Assembly approves the recommendations of President Jimenez with respect to treatment to be accorded to citizens of the United States in Panama there may be no immediate need for such a treaty. The Assembly will study the provisions of the constitution having to do with the nationalization of commerce this week and the Embassy will follow the debates with interest. Should it develop that it would be advisable to present a draft of the Treaty of Friendship, Commerce and Navigation prior to the promulgation of the constitution, the Embassy will so inform the Department. Another objection to presenting the treaty at this time is that in all probability the Panamanian Government would counter with a proposal for a commercial treaty, including a number of items having to do with relations between Panama and The Panama Canal.

I have not informed the representative American businessmen in Panama of the proposed treaty, however, I met with them last week for the purpose of ascertaining their views on commercial discriminations, etc., in Panama, and I enclose a copy of memorandum of conversation ¹⁷ prepared at that time from which it will be seen that if the proposed constitution is approved in accordance with the President's ideas, these gentlemen will be satisfied.

Respectfully yours,

FRANK T. HINES

**REMOVAL OF PROVISIONS RESTRICTING FOREIGN OWNERSHIP OF
CHURCH PROPERTIES FROM DRAFTS OF THE NEW PANAMANIAN
CONSTITUTION**

[The Ambassador in Panama, Frank T. Hines, reported in despatch No. 57 of November 9, 1945, that after discussions on several occasions with the President of Panama and other officials concerning the proposed new constitution he could now state "That the provisions regarded as objectionable by American religious organizations operating in Panama have been removed or have been neutralized so as not to interfere in any way with the present form of religious freedom and education in Panama." This despatch and related documentation are in file 819.011.]

¹⁷ Not printed.

PARAGUAY

DECLARATION BY PARAGUAY OF A STATE OF WAR WITH THE AXIS POWERS AND ADHERENCE OF PARAGUAY TO THE UNITED NATIONS DECLARATION

740.0011 E.W./1-1145

*The Acting Secretary of State to the Ambassador in Paraguay
(Beaulac)*

[Extract]

No. 86

WASHINGTON, January 11, 1945.

SIR: . . .

The great importance, not only to Paraguay but also to the inter-American system, of the American Republics standing shoulder to shoulder in this war as full members of the United Nations and taking part on an absolutely equal footing in the international deliberations ahead, cannot be over-emphasized. If Paraguay and the other five American Republics¹ would put themselves in a position to adhere to the United Nations Declaration,² this action would certainly help to speed the conclusion of the war.

Please present this situation at once to the President³ or the Foreign Minister,⁴ stating that it is also being brought to the attention of the Governments of Chile, Ecuador, Peru, Uruguay, and Venezuela. You should use with great discretion and great care the points mentioned above, emphasizing that we feel Paraguay in its own interest will desire to give this matter immediate attention. You will realize that Paraguay's reaction to this proposition is likely to be negative unless it is presented as a significant opportunity for Paraguay to improve its own position and at the same time to make a positive contribution not only to inter-American solidarity in the war but also to the building of an international security organization.

You should impress upon the President or the Foreign Minister the importance of keeping this matter entirely confidential at this time,

¹ i.e., the American Republics in addition to Paraguay which had broken relations with the Axis and were making common cause with the United States but had not entered into a state of war.

² *Foreign Relations*, 1942, vol. 1, p. 25.

³ Higinio Morínigo.

⁴ Horacio Chiriani.

and inform him that we are not bringing it to the attention of his Ambassador here.⁵

Please report by cable as soon as you have presented this matter to the appropriate authority.

Very truly yours,

JOSEPH C. GREW

740.0011 E.W./1-2545 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, January 25, 1945—6 p. m.

[Received January 26—9:46 a. m.]

63. I discussed instruction 86 of January 11 with Chiriani today. He approves and will make strong favorable recommendation to President.

BEAULAC

740.0011 EW/1-2645

The Acting Secretary of State to the Ambassador in Paraguay (Beaulac)

No. 107

WASHINGTON, January 26, 1945.

SIR: I refer to the Department's secret instruction no. 86 of January 11, concerning the importance of Paraguay's formalizing its status by becoming a member of the United Nations. This matter is taking on added importance and, in order to present the need for early action and make his own stand clear and unequivocal, the President has considered it best to address personal letters in the premises to the Presidents of the six American republics concerned.

The letter addressed to the President of Paraguay is enclosed⁶ and you are requested to deliver it immediately to President Morinigo. A copy is likewise attached for your secret information. Similar presentations are being made at Caracas, Quito, Lima, Santiago and Montevideo.

I wish to underline the fact that the highest importance is attached to Paraguay's taking this step at the earliest possible date. I am confident that you will present the matter urgently and at the same time in its proper perspective.

We have suggested to you the alternative of a declaration of war against either Germany or Japan or both. This was in order to make the action as easy as possible for each of the Republics. We feel, however, that we should call to your attention the much greater dignity which would be attained if Paraguay, which does not front

⁵ Celso R. Velasquez.

⁶ This letter was the same, *mutatis mutandis*, as the letter addressed to the President of Chile, printed on p. 758.

on the Pacific, should include Germany rather than limiting its declaration to Japan. We make this suggestion, not in order to put you in a position where you must reverse any action previously taken but simply for background thinking in case the matter should come up for discussion after your receipt of this.

Please submit a telegraphic report as soon as possible.

Very truly yours,

JOSEPH C. GREW

740.0011 E.W./2-645 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, February 6, 1945—noon.

[Received 5:41 p. m.]

96. Chiriani called me this morning under instructions from President to say officially President authorized by Council of National Defense to declare Paraguay in state of war with countries of Axis. In consequence of this authorization, President in accordance with constitutional procedure will request opinion of Council of State at its meeting tomorrow.

It is my understanding that opinion of Council of State is mere formality and that President already has full constitutional authority to declare state of war. It is possible that public statement will be made later today.⁷

BEAULAC

740.0011 E.W./2-845 : Telegram

President Roosevelt to the President of Paraguay (Morínigo)

WASHINGTON, February 8, 1945.

Paraguay's declaration of the existence of a state of war with the Axis is further testimony of western hemisphere unity in the United Nations war against aggression. Please accept my personal best wishes.

FRANKLIN D. ROOSEVELT

740.0011 EW/2-1245

The Acting Secretary of State to the Paraguayan Ambassador (Velázquez)

WASHINGTON, February 13, 1945.

EXCELLENCY: I have the honor to acknowledge receipt of your note of February 12, 1945,⁸ stating that your Government has declared a

⁷ The Ambassador reported in telegram 101, February 7, 1945, that by decree-law of February 7, Paraguay declared war on the Axis (740.0011 E.W./2-745).

⁸ Not printed.

state of war with the Axis powers; that Paraguay formally adheres to the Declaration by United Nations; and that you have received instructions to sign in the name of the Republic of Paraguay.

The Government of the United States, as depository for the Declaration, is gratified to welcome Paraguay formally into the ranks of the United Nations. Arrangements are being made for you to sign the Declaration on February 14, 1945.⁹

Accept [etc.]

JOSEPH C. GREW

APPLICATION AND MAINTENANCE OF CERTAIN DEFENSE MEASURES
SPONSORED BY THE UNITED STATES IN PARAGUAY

834.20/8-1345

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1024

ASUNCIÓN, August 13, 1945.

[Received August 22.]

SIR: I have the honor to report that during the recent visit to Asunción of Admiral William R. Munroe and Major General Ralph Wooten, the latter told me that the Minister of National Defense, General Vicente Machuca, who was awarded the Legion of Merit during the visit of the two American officers mentioned, had expressed a desire to visit the United States, and had said, as I recall, that he would be free to travel to the United States around October. General Wooten, in his first conversation on the subject, told me that the subject had arisen quite naturally after Admiral Munroe had asked General Machuca whether or not he had ever visited the United States.

I asked General Wooten not to give General Machuca any encouragement to think that he might be invited to visit the United States. I said that I assumed that no invitation to General Machuca would be issued without my prior consent, and that I could give no assurance at this time that I would be willing to consent to such invitation being issued.

I told General Wooten that, prior to the Mexico City Conference,¹⁰ when Foreign Minister Horacio Chiriani expected to go to Mexico City as a delegate, he expressed interest in visiting Washington. Under the Department's instructions I had told him it would be preferable for him to visit Washington at some later date. (Please see Department's telegram no. 20 of January 13, 1 p. m.¹¹)

⁹ For an account of the ceremony of adherence to the United Nations Declaration on February 14, 1945, see Department of State *Bulletin*, February 18, 1945, pp. 231-237.

¹⁰ For documentation on the Inter-American Conference on Problems of War and Peace, see pp. 1 ff.

¹¹ Not printed; it indicated that visits of Foreign Ministers were to be discouraged because of the participation of government officials in other conferences (710 Conference W and PW/1-1345).

I said that I might feel therefore, and the State Department might feel, that a visit to Washington by Foreign Minister Chiriani should take precedence over a visit by the Minister of National Defense, although I had no present intention of suggesting even that Foreign Minister Chiriani be invited to Washington.

Aside from the foregoing circumstance, I said that there was a definite movement in Paraguay, supported by most of the civilian members of the Cabinet and by at least a portion of the military, to constitutionalize the present Government through the holding of Congressional elections, and to restore freedom of speech in Paraguay. Opposition to these two programs came principally from certain military elements more or less close to General Machuca. Some opposition might come from General Machuca himself, although I was not sure of this.

I told General Wooten that I intended, and that I knew the State Department intended, to watch developments in Paraguay closely during the forthcoming months in order to determine whether or not the present Paraguayan Government really intended to implement the various commitments and declarations it had subscribed to at Mexico City, including those having to do with support of democracy and freedom of expression, and that our attitude toward possible visits by Paraguayan Cabinet members would undoubtedly be influenced by the extent of the effort made to implement these commitments and declarations.

I told General Wooten that I had no objection, since according to his statement to me, General Machuca had requested the invitation, to his putting the matter "into the War Department mill," so to speak, but that I could give no assurance that I would approve a visit when the matter was presented to the Embassy.

Respectfully yours,

WILLARD L. BEAULAC

810.20 Defense/8-1845

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1034

ASUNCIÓN, August 18, 1945.

[Received August 29.]

SIR: With Reference to the Department's telegram 154 [164] of May 8, 1945,¹² I have the honor to enclose herewith a single copy of the report ¹² of the Paraguay-United States staff conversations recently concluded in Asunción.

I am enclosing also copies of two memoranda,¹² one dated July 26, 1945 from the Military Attaché to the Embassy, and the other dated

¹² Not printed.

August 3, 1945 from First Secretary Leslie E. Reed. These memoranda comment on the results of the staff conversations and will furnish the Department the background it requested in its telegram referred to above.

I should like to add my own impression that the "Military Commission" referred to in the last paragraph of page 2 of Part 1, "Information Regarding Staff Conversations between United States and Paraguayan military and Naval representatives", was originally suggested by General Wooten. It is my understanding that prior to the termination of the staff conferences the War Department had disapproved the establishment of a Military Commission for Paraguay.

The principal criticism against the Paraguayan proposals is that they contemplate an eventual peacetime Army of 25,000 men excluding an Air Corp of 375 officers and 4,236 men. General Wooten, in his transmitting letter of August 10, 1945 says, in this regard, "It is, however, the opinion of the undersigned that the peacetime army which Paraguay desires is greater than it can economically support, even though greatly modified by reduction in table of organization strength, or by inactivation of certain units as contained therein."

My own opinion is that the present strength of the Paraguayan Armed Forces, comprising a ground army of 10,000, including 1400 Navy "Marines"; plus an air force of about 650 and Navy fleet personnel of 800, is greater than is needed for peacetime, and constitutes an undue burden on Paraguay's economy, especially after Chapultepec¹³ and San Francisco,¹⁴ and that Paraguay and other countries in a similar position should be encouraged, through joint international action, to reduce the size of their armed forces.

While the desire to increase ground forces from 10,000 to 25,000 (an absurd figure, corresponding, on a population basis, to 3,250,000 in the United States) is an ultimate objective, the desire to increase the air force from some 650 to 4,611, is an immediate objective, entirely out of line with Paraguay's needs or financial capacity.

It will be noted that the Paraguayan Air Force desires to use its expanded personnel partly in the operation of a commercial airline in Paraguay. This airline, the Latn,¹⁵ is already being operated with military air personnel in an elementary way.

General Wooten says, with reference to this feature of the proposals, "With respect to the air transport squadron desired, the Paraguayan Government plans to operate a national military airline using military personnel for the operation of these planes which would, in addition

¹³ The Mexico City Conference on Problems of War and Peace.

¹⁴ The United Nations Conference on International Organization; for documentation, see vol. I, pp. 1 ff.

¹⁵ Línea Aérea de Transporte Nacional.

to providing military air transportation for military personnel and mail, also engage in commercial passenger and freight transport. The Paraguayan officials believe that in this way they can operate at sufficient profit to pay the cost of fuel and maintenance and also provide training for their military personnel which they would be unable to do unless the air transport line could be used for commercial operation. Considering the internal Paraguayan situation, with the great requirements for limited air transport service into isolated areas which probably would never be developed by commercial aviation companies, it is believed that this policy should receive sympathetic consideration."

From the Paraguayan viewpoint, there is some merit in the Paraguayan proposal to combine its military air force with the operation of a commercial airline. Our own Government's attitude toward such a proposal will undoubtedly be influenced by considerations of broad policy toward commercial aviation in the other American Republics.

Respectfully yours,

WILLARD L. BEAULAC

834.796/9-1145 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, September 11, 1945—5 p. m.

[Received 11:44 p. m.]

471. Embassy's despatch 1073, September 5.¹⁶ Report reaching Embassy indicates Captain van Hyning¹⁷ who was sent to Washington by Paraguayan Government in connection with Lend Lease requests is discussing with War Department and Paraguayan Embassy possibility of Paraguay's acquiring under long term payment agreement machinery and equipment for aviation sub-depot which Paraguay had requested under Lend Lease. Before any agreement is reached, I suggest Department give careful consideration to Paraguay's probable ability to pay, having in mind that current payments to Eximbank are being made through loans advanced by National Bank of Paraguay. Department should bear in mind also that personnel to operate this depot cannot be trained here and apparently can no longer be trained in Panama.

It should be borne in mind also that Paraguayan Army has expressed desire to increase Air Force from 650 to 4611 in the immediate future. This is more than Paraguay requires or can maintain.

In addition to foregoing Stagni¹⁸ has expressed desire to purchase in US six used DC-3's and establish Paraguayan Government inter-

¹⁶ Not printed.

¹⁷ Capt. Thomas C. Van Hyning, member of the United States Aviation Mission to Paraguay.

¹⁸ Maj. Pablo Stagni, Commander of the Paraguayan Air Force.

national airline to La Paz, Rio, Monte[video] and Buenos Aires. He has little idea of what is involved in the maintenance of such a line and there is great doubt that it would succeed. His ultimate objective is probably to use line to finance greatly expanded Air Force proposed. I suggest therefore that our Government be very slow in encouraging him through easy payment agreements to embark on this enterprise.

BEAULAC

834.796/9-1245

The Ambassador in Paraguay (Beaulac) to the Secretary of State

[Extract]

No. 1098

ASUNCIÓN, September 12, 1945.

[Received October 1.]

SIR: . . .

The Department, in its telegram no. 123 of March 24, 6 p. m., asked whether the Paraguayan Government was willing to give assurance that two Beechcraft planes being acquired by Paraguay under lend-lease would be used only for military purposes. The Embassy obtained Major Stagni's agreement to this effect. A copy of a letter from the Commercial Attaché to Major Stagni, embodying this agreement is enclosed.¹⁹ This letter was never acknowledged in writing.

Despite this agreement, the two Beechcrafts are occasionally, not regularly, used to carry passengers for pay. This circumstance has only recently come to the Embassy's attention. No representation has been made to the Paraguayan Government pending a study of the whole situation as regards the use of lend-lease planes by Latn.

I do not hesitate to say that the operation of all the lend-lease planes in Paraguay for purely military purposes would be contrary to our interests. The operation of these planes for military pilot training, and, at the same time, for the carriage of mail and passengers is not contrary to our interests. In saying this I do not refer, of course, to Major Stagni's ambitious plans to inaugurate an international service, which I reported in my telegram no. 471 of September 11, 5 p. m. and to which I presented possible objections. I refer to the kind of commercial service now being conducted by Latn.

For my part I should like to see a majority of the lend-lease trucks, for example, furnished to Paraguay put to work building roads, and doing other useful work not of a directly military character. The Embassy's Military Attaché²⁰ has just returned from a visit to Concepción where he found more than half the garrison there employed

¹⁹ Not printed.

²⁰ Lt. Col. Harold J. Pearson.

in road building. This force was without trucks. It was working with hand tools and bull carts. The cavalry regiment, near Asunción, however, engaged in purely military, and therefore, unproductive work, and whose presence here has more political than military importance, is well supplied with trucks. From the viewpoint of national defense, of course, the building of new highways is vastly more important than the maintenance, in style, of the cavalry garrison near Asunción.

It may be argued, similarly that the operation by the Paraguayan Government of an airline, permitting pilot training at the same time, contributes more to national defense than allowing their planes to sit idle because Paraguay cannot afford to operate them.

Since the date of the Department's telegram no. 123, the war has ended, and our attitude toward the use to which these lend-lease planes are to be put would seem to depend on whether, as a matter of policy, we are determined, henceforth, to follow with care the use to which every plane, truck, tire, pick, and shovel is to be put and object when these instruments or of any of them, are put to uses which are not strictly or technically military. I presume also, that our attitude in this matter, as far as concerns Paraguay, will be related to our general attitude.

A case can be made, of course, for our closing our eyes to the specific use to which lend-lease supplies are put, so long, perhaps, as they are not transferred to third governments or to private persons.

The truth is that the comparatively large number (for Paraguay) of lend-lease planes furnished to Paraguay, without consultation with the Embassy, so far as I can ascertain, except in the case of the two Beechcrafts, cannot be maintained in operation by the Paraguayan Air Force without some kind of subvention or without the expenditure of sums of money so large as to be burdensome to the budget of this small country and harmful to its economy and therefore, to its national defense and to our interests in Paraguay.

These planes were furnished to Paraguay during the war emergency, and the purpose for which they were furnished has been accomplished. We have had substantial and increasing cooperation from this government in measures aimed at continental defense. We are hoping for and expecting additional cooperation, and it is not in our interest to place purely technical obstacles in the way of obtaining such cooperation.

My own very serious inclination is to let the Paraguayan Air Force go ahead and use lend-lease planes in the operation of its airline. I believe that that is in the interest of the United States.

I shall appreciate the Department's comment in the matter.

Respectfully yours,

WILLARD L. BEAULAC

800.24/10-3045 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, October 30, 1945—2 p. m.

[Received October 31—8:52 a. m.]

535. Deptel 335, October 25, 8 p. m.²¹ Embassy approves program to equip initial ground force units with understanding that new equipment will be given in exchange for serviceable equipment now in hands of Paraguay to the full extent available so that it will not effect a net increase in Paraguay's stock of arms. It is suggested that Paraguayan arms be delivered shortly after receipt of arms to be furnished under program set forth in Deptel under reference assuming same procedure is followed in Bolivia.

Re War Dept program for aircraft, it is fundamental that Paraguay cannot afford to maintain even its present air force unless (1) it is subsidized by some other Govt or (2) it is permitted to engage in commercial operations as it is doing presently using American Lend-Lease equipment.

Re eight B-25's the following points are pertinent:

1. They were not requested by the Paraguayans.
2. They are expensive to operate and beyond financial ability of Paraguayan Air Force to operate.
3. They are not adaptable to commercial use.
4. There are presently only two pilots capable of operating them. Additional pilots, bombardiers and navigators would have to be trained.
5. Their efficient operation would be contingent on our setting up the depot requested in staff conversations. Paraguay cannot pay for the depot and probably could not afford to maintain it.

Based on foregoing Embassy does not approve furnishing B-25's.

Re three AT-11's it is understood that these are twin engine Beechcraft similar to two Paraguay already possesses and which are considered sufficient for training purposes. The AT-11's would doubtless be used in airline operations.

C-47 likewise also would doubtless be used in airline operation (see Embassy's 1098, September 12, 1945. See also War Dept bid report 2307.0202 (No. R 244-45 of September 21, 1945)).

Embassy has no objection to furnishing of AT-11's or of C-47 assuming that they are furnished free of charge or for nominal prices and that our Govt is content that these planes be used in airline operations within Paraguay and between Paraguay and neighboring countries with the added possibility that ownership of the airline will progressively be placed in private hands.

²¹ See footnote 18, p. 569.

The truth is, as already suggested, that there is no room for expansion of military aviation program in Paraguay or even for continuance of existing program which is being carried out with aid of an American Military Aviation Mission unless equipment now in hands of Paraguayan air arm including Lend-Lease equipment and such additional equipment as may be obtained is devoted to commercial aviation.

If our Govt feels obligated as sequel to staff conversations to supply some airplanes to Paraguay and if it has no objection to those airplanes being used for commercial purposes, Embassy suggests supplying six liaison type planes in addition to the AT-11's and the C-47.

Military, Air, Naval Attachés and Chiefs of Air and Ground Missions concur.

BEAULAC

834.20 Mission/11-545

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1251

ASUNCIÓN, November 5, 1945.

[Received November 19.]

SIR: I have the honor to refer to my telegram no. 545 of November 5, 11 a. m.,²² requesting that no definitive action be taken to make available to Paraguay military materials and equipment until the Department had received a despatch from the Embassy on the effect of our military cooperation upon our relations with Paraguay.

This cooperation, which has been carried on not only during the war but also since the end of hostilities, has comprised the furnishing of lend lease equipment and materials; the setting up, in Paraguay, of an American Military Mission and Military Aviation Mission; visits of numerous Paraguayan military men and naval officers to the United States, with all expenses paid by our Government; training given in the United States and the Panama Canal Zone to Paraguayan military officers and enlisted men; frequent visits to Paraguay of American military and naval officers, some of high rank; et cetera, et cetera.

On July 11, last, after I had requested the Department's authority to urge the Paraguayan government, informally, through the Foreign Minister, to restore press freedom and announce Congressional elections, the Department, in granting the authority requested, said, in its telegram no. 238,²³ that it did not consider it as intervention in the internal affairs of other American Republics when it lent its support and took the initiative in efforts to rally other American governments

²² Not printed.

²³ July 11, 1945, not printed.

and public opinion generally behind Inter-American action to obtain compliance with the Mexico City resolutions and with other Inter-American commitments.

The implication of the Department's telegram was that our Government felt that it was free, without subjecting itself with cause to the charge of violating its treaty obligation to refrain from intervening in the internal affairs of the other American Republics, to urge those Republics to comply with the commitments entered into at Mexico City, concerning democratic institutions, freedom of expression, et cetera, which have to do with the internal affairs of those Republics. That the Department's telegram was of a policy nature was indicated not only by its wording but by the circumstance that it was repeated to the Missions in the other American Republics for their information.

It is clear from the foregoing, as well as from numerous public statements of the President of the United States, of the Secretary of State, and of other high officials of the Department, that one of the objectives of our policy toward the other American Republics is the development in those Republics of free, democratic institutions.

Another objective of our policy toward the other American Republics has been, and is, to obtain the military cooperation of those Republics. In furtherance of that objective, staff conversations have been held between the United States and Paraguay, looking to cooperation and coordination between the armies of the two countries. These conversations contemplate the eventual furnishing by the United States to Paraguay of modern arms and military equipment of American manufacture.

The purpose of the present despatch is to suggest to the Department that, while the two objectives referred to above are legitimate and desirable, the means currently being employed to obtain the second objective, that is, the military cooperation of Paraguay, tend to make more difficult the achievement of the first objective, that is, the democratization of Paraguay.

Paraguay has a long authoritarian tradition. Francia²⁴ instituted authoritarian government, Gestapo methods, imprisonment and execution without trial, exchange control, and press and mail censorship, in Paraguay, more than a century ago. Since the disastrous war with the Triple Alliance,²⁵ which ended, in 1870, with the annihilation of nearly all of Paraguay's male population, the conditions which have obtained in Paraguay could scarcely have been less favorable to the development of democracy. Colorado (Party) governments, which

²⁴ José Gaspar Rodríguez Francia, dictator of Paraguay from 1814 to 1840.

²⁵ Documentation on the war of Argentina, Brazil, and Uruguay against Paraguay is printed in *Foreign Relations*, 1866, vol. II, pp. 548-616; *ibid.*, 1867, vol. II, pp. 705-733; *ibid.*, 1868, vol. II, pp. 647-838.

succeeded each other until 1904, and Liberal (Party) governments, which succeeded each other from that year until 1936, when the Franco military revolt broke out,²⁶ were either headed by military men or kept in power or removed by them. The Paraguayan Army was figuratively up to its neck in politics during all these years, as it is now, the principal difference being that between 1870 and 1936, the military, like the civilians, were divided along party lines and along factional lines within the two principal parties, while, today, the Army, strengthened through our cooperation, is substantially united in its desire to continue to govern Paraguay. Political party activities in Paraguay have been prohibited since March 10, 1936, and the Liberal Party was declared illegal in 1942.

There are elements within the Army, of course, who look forward to the establishment of party government in Paraguay, but they are not the strongest elements, and there is no good reason to believe that even they regard the establishment of party government as an immediate objective. The Army, in general, appears to take it for granted that Congressional elections will not be held until 1948, when Presidential elections are scheduled, and that the Liberal Party, as such, will be excluded from the elections. In the absence of outside interference, it is probable that the Army's plan will be carried out, and that an Army-supported President and Congress will be elected. These officials, in the ordinary course of events, would be guided or strongly influenced by the Army in carrying out their functions.

We might, of course, interfere with the process, or try to interfere with it, by adopting an unfriendly political attitude toward the present regime, but I am not inclined to believe that our attitude would have any important effect except to push the regime into the hands of Argentina. Such an attitude on our part would probably be particularly futile if we, at the same time, continued our cooperation with Paraguay in military matters.

The equipment of the Paraguayan Army has been improved with the help of lend lease. It is contemplated that, as a result of the recent staff conversations, additional modern equipment will be made available. The American Military Missions give prestige, locally, to the armed forces. Specially conducted tours of the United States carried out at considerable expense to our Government, and instruction in American military schools, also give the military prestige, and flatter their ego. The representatives of the Office of Inter-American Affairs,²⁷ engaged in health and sanitation work, have military commissions and wear their uniforms and insignias. In addition to our

²⁶ For documentation with respect to the position of the Department of State toward the regime of Franco, see *Foreign Relations*, 1936, vol. v, pp. 858 ff.

²⁷ A United States emergency war agency.

Military Missions, we have, in this tiny country, a Military Attaché, an Assistant Military Attaché, an Air Attaché, a Naval Attaché, and an Assistant Naval Attaché. There are, in all, sixteen American military and naval officers, in addition to a number of enlisted men, regularly stationed in Asunción, and I see no sign of any intention to lessen the number in the near future.

All these things tend to give prestige to the military in Paraguay, and to strengthen their hold on the government. If our cooperation is continued on anything approaching its present scale, I see little chance that any suggestion that the Department or the Embassy might make regarding democratization will have much effect, except, perhaps to weaken the Embassy's position here.

The purpose of this despatch is not to criticize or complain. It would have been very difficult and probably unwise for us to give up our military interest in Paraguay immediately after the end of hostilities. It is my understanding, too, that the staff conversations were intended to place in effect a program of military cooperation and coordination deemed essential to the future defense of the continent. The Department is, of course, in a position to judge the importance to the United States of this program, and particularly the importance of Paraguay's part in the program.

The Department is in a position also to evaluate the importance to the United States of fostering democracy in Paraguay.

The point that is sought to be made is that our military cooperation with Paraguay, including implementation of the staff conversations, visits to the United States of military officers, instruction in the United States and the Canal Zone, et cetera, tends to make democratization of Paraguay more difficult.

As already pointed out, we have two laudable objectives in Paraguay, the one being to tie Paraguay into a coordination system of continental defense, the other being to encourage the democratization of Paraguay. The first is comparatively easy to accomplish because it involves, for the Paraguayan military who dominate the government here, exchanging old arms for new, trips to the United States, instruction in American military schools, support for larger military budgets (at the expense of education, public health, et cetera), et cetera. However, realization of the first objective tends to defeat the second objective, and our Government's efforts to accelerate democratization, with one hand, while it helps to further build up the politically dominant military establishment with the other, seem at times, to Paraguayans and particularly to liberal elements in Paraguay, to be slightly ludicrous.

Abandonment of military cooperation would not, of course, guarantee democratization of Paraguay. It might, in fact, create new and

immediate obstacles to democratization, such as causing the Paraguayan military to draw closer to the Argentine military. However, it would place us in a position of not giving positive help to the opponents of democracy in Paraguay.

I make no specific suggestion, because I consider that only the Department can evaluate the relative importance of the two conflicting objectives to which I have referred above. Continued military cooperation might encourage the Paraguayan government to give us the same, or almost the same, cooperation in international matters that it has given us during the past year and a half. It will not help the cause of democracy in Paraguay, however, and will probably render efforts by us to encourage democracy futile and harmful to our own standing with the Paraguayan government.

Abandonment of military cooperation, on the other hand, would interfere, temporarily at least, so far as Paraguay is concerned, with our plans for future hemispheric defense. It would probably mean that Paraguay would be less cooperative with us in many matters than it has been in the recent past. Moreover, it would not guarantee democratization, which would still be a long, difficult process. However, it would remove at least one obstacle to democratization, and that is the prestige and strength which the Paraguayan military now receive from our cooperation. This does not mean that new obstacles would not appear, however.

The principal immediate obstacle to democratization in Paraguay is the strength, unity and anti-democratic attitude of the Paraguayan Army. To the extent that we add strength and prestige to the Paraguayan Army, we make that particular obstacle to democratization more formidable.

The recommendations contained in my telegram no. 535 of October 30, 2 p. m., concerning implementation of the staff conversations, are reiterated, subject to the foregoing considerations.

Respectfully yours,

WILLARD L. BEAULAC

834.20 Missions/11-745

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1259

ASUNCIÓN, November 7, 1945.

[Received November 10(?)]

SIR: I have the honor to refer to the Embassy's airgram no. 286 of October 30,²⁸ in which I reminded the Department that the Paraguayan Air Force is principally engaged in commercial aviation activities, and that our Military Aviation Mission is principally useful.

²⁸ Not printed.

in helping to maintain and expand those activities. I suggested that no increase in the Military Aviation Mission take place until the principle of American military assistance in the operation, by the Paraguayan Air Force, of a commercial aviation service, is settled.

In my telegram no. 535 of October 30, concerning the possibility of making available certain military equipment to Paraguay, I again referred to the commercial aviation activities of the Paraguayan Air Force.

In my despatch no. 1251 of November 5, 1945, I suggested that our military cooperation with Paraguay constituted an obstacle to the democratization of Paraguay.

In my despatches no. 1255 of November 2 and no. 1256 of November 7,²⁹ I set forth the unsatisfactory status of the Military Aviation Mission in Paraguay and transmitted a copy of a note from the Foreign Office³⁰ which has brought the whole question of the Mission's status to a head.

Article 1 of the Military Aviation Mission Agreement, signed in Washington, October 27, 1943,³¹ says:

"The purpose of this Mission is to cooperate with the Commander in Chief of the Armed Forces of the Republic of Paraguay and with the personnel of the Paraguayan Air Force with a view to enhancing the efficiency of the Paraguayan Air Force."

Article 4 of the Agreement says:

"This Agreement may be terminated before the expiration of the period of four years prescribed in Article 2, or before the expiration of the extension authorized in Article 3, in the following manner:

"(a) By either of the Governments, subject to three months' written notice to the other Government;

"(b) By the recall of the entire personnel of the Mission by the Government of the United States of America in the public interest of the United States of America, without necessity of compliance with provision (a) of this Article."

With the foregoing as background, I suggest to the Department that, in accordance with the provisions of Article 4, the Military Aviation Agreement be terminated. My suggestion is based on the following considerations:

1. There are no present indications that the Paraguayan Armed Forces have any intention of permitting the development of democratic government in Paraguay in the predictable future. Under

²⁹ Neither printed.

³⁰ Not printed; in this note the Foreign Office transmitted communications from the Minister of National Defense and the Commander of the Paraguayan Air Force suggesting the recall of the Chief of the American Air Mission and the appointment in his place of a member of the Commission who had recently left Paraguay (834.20 Missions/11-745).

³¹ Department of State Executive Agreement Series No. 343; 57 Stat. (pt. 2) 1100.

the circumstances, I consider that our military cooperation with the present regime in Paraguay should be limited to those matters considered essential, in the case of Paraguay, to our plans for continental defense.

2. With reference to Article 1 of the Military Aviation Mission Agreement, which makes clear that the purpose of the Mission is to enhance the efficiency of the Paraguayan Air Force, I should like to reiterate that the Paraguayan Air Force has been converted by its commander, Major Stagni, into a commercial air service. There is no real military air force in Paraguay today and it is therefore impossible, under the conditions created by the Paraguayan Government, for our Military Aviation Mission to fulfill its purpose.

In amplification of the foregoing, the Chief of the Military Aviation Mission informs me that, as of November 7, the only planes of the Paraguayan Air Force flying were the two C-45's furnished to Paraguay under lend lease. These were engaged in commercial flying in violation of Major Stagni's pledge to the Embassy not to use them for commercial purposes. The Paraguayan Air Force, according to the Chief of the Military Aviation Mission, has no gasoline except a small quantity of 87-octane gasoline which it purchases from time to time for cash, pending settlement of overdue accounts with the West India Oil Company. Of the various types of planes in the Paraguayan Air Force, only the C-45's use 87-octane gasoline.

3. Major Stagni, Commander of the Paraguayan Air Force, who cooperated with our enemies during the war, has objected to the two successive chiefs of the Military Aviation Mission. I understand that both these officers have distinguished combat records. Major Stagni, as well as the Minister of National Defense, has also objected to the present Acting Assistant Chief of the Military Aviation Mission,³² who, I also understand, has a distinguished combat record.

4. Major Stagni has systematically misrepresented the attitude of the American Embassy toward Taca, an Aviation Company which is principally American-owned. He has used members of the Military Aviation Mission in order to support his stand against Taca, and he has resented the refusal of the Chief of the Military Aviation Mission to join him in opposing Taca. I doubt that any Chief of the Military Aviation Mission can get along with Major Stagni without showing a degree of disloyalty to his own Government.

5. Major Stagni, in his letter to the Minister of National Defense (Enclosure no. 1 to despatch no. 1256 of November 7) made statements calculated to undermine the morale of the Military Aviation Mission, regardless of what its composition may be in the future.

Inasmuch as the Paraguayan Government, through Note No. 901 from the Foreign Office, has made it very difficult for Colonel Barthelmess to remain in Paraguay much longer, and inasmuch as the Acting Assistant Chief of the Military Aviation Mission has also been objected to by the Minister of War, and by Major Stagni, I believe that a decision as to whether we shall leave the Mission in Paraguay will have to be made in the near future. To further complicate the matter, Lieutenant Van Hyning, a third member of the Mission,

³² Maj. John H. Washington.

is to be relieved shortly, while the fourth remaining pilot, Lieutenant Overdyke, has been grounded because of his physical condition.

The Military Attaché to the Embassy, Colonel Pearson, has read the foregoing, is cognizant of the circumstances set forth in this and related despatches, and supports the suggestion that the Military Aviation Mission Agreement be terminated.

Respectfully yours,

WILLARD L. BEAULAC

834.20 Missions/11-1045

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1260

ASUNCIÓN, November 10, 1945.

[Received November 19.]

SIR: Supplementing my despatch no. 1259 of November 7, 1945 (Subject: "Suggesting that Military Aviation Mission Agreement with Paraguay be terminated"), and with reference to my telegram no. 551 of November 9, 5 p. m.,³⁴ I have the honor to enclose a copy and a translation of a further note, no. 922 of November 9, from the Paraguayan Foreign Office,³⁴ transmitting additional complaints by the Minister of National Defense and the Chief of Staff for the "ungentlemanly" and "inconsiderate" manner in which Captain Finegan was returned to the United States, and for the fact that he was relieved without the prior knowledge and consent of the Paraguayan High Command.

I am informed that Captain Finegan's orders required his immediate departure, and it happened that a military plane, bound for the Panama Canal Zone, passed through Asunción a few days after his orders were received. Captain Finegan and his family embarked on that plane. Passage out of Asunción by commercial plane can be obtained only after several months delay.

I informed the Minister of Foreign Affairs, officially, on October 31, of Captain Finegan's imminent departure, and Captain Finegan departed three days later. His successor, Major John Washington, serving on a probationary basis, had arrived in Paraguay on October 26.

The officious, abusive tone of the two notes criticizing Colonel Barthelmess, confirms my belief that the Military Aviation Mission Agreement should be terminated. I do not know how we can accept these insults and maintain any prestige here. The whole matter might have been settled through friendly conversation, if the Minister of National Defense, the Chief of the General Staff, and the Chief of the Paraguayan Air Force, had been so inclined.

Respectfully yours,

WILLARD L. BEAULAC

³⁴ Not printed.

834.20 Missions/11-1545 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, November 15, 1945—10 a. m.

[Received 3 : 35 p. m.]

557. My 551, November 9, 5 p. m.,³⁵ General Waters³⁶ arriving from Canal Zone November 17 to inspect military missions. Urgently request authorization to return to Foreign Office as unacceptable notes 901 of October 25 and 922 of November 9 transmitted my desps 1256³⁵ and 1259. Paraguayan military now backing water and I believe return of notes would be welcomed by Foreign Office. Request immediate reply.

BEAULAC

834.20 Missions/11-1545 : Telegram

The Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, November 16, 1945—8 p. m.

346. Urtel 557, Nov. 15, 10 a. m. Note 922 not recd. Assuming it deals with same subject as 901, Dept authorizes return of both notes in your discretion but recommends matter be handled informally and orally with Foreign Minister.³⁷

BYRNES

834.20 Missions/11-2145 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, November 21, 1945—10 a. m.

[Received November 22—12 : 35 a. m.]

569. Remytel 564, November 17, 11 a. m.³⁸ Chiriani informed Cabinet Monday I had returned his two notes and, after lengthy explanation of my reasons including condemnation by Chiriani of Stagni for aid to our enemies during the war, Cabinet agreed to let matter rest.

I introduced General Waters from CDC to President Morinigo and Chiriani Monday. Yesterday Waters called on Minister of War Machuca and Chief of Staff Aranda. Neither expressed any desire that Barthelmess or any other member of Aviation Mission be relieved.

³⁵ Not printed.

³⁶ Gen. Jerome Waters, Director of Military Missions, Caribbean Defense Command.

³⁷ The Ambassador indicated in his telegram 564, November 17, 1945, 11 a. m., that the notes were returned (834.20 Missions/11-1745).

³⁸ See footnote 37, above.

Machuca was informed Van Hyning would be relieved immediately after he made his report to Paraguayan Govt concerning his visit to US. Machuca accepted this without complaint.

There remains to be decided by our Govt whether we are willing to keep an Aviation Mission in Paraguay (1) so long as Stagni is head of Paraguayan Air Force and (2) so long as Paraguayan Air Force is engaged practically exclusively in commercial operations.

I have requested an interview with President and told Minister of Foreign Affairs that I wished to go over with President the whole field of our relations with Paraguay preparatory to my visit to Washington.

I suggest that no decision as to future of Aviation Mission be made at least pending my conversation with President. However, I request Dept continue to give thought to two points still undecided which I mentioned above.

I intend unless Dept has objection to tell President Morinigo that my own opinion is that there is no place in Paraguay for an American Military Aviation Mission so long as Stagni remains head of Air Corps.³⁹ General Waters agrees in this opinion. He has been most cooperative and his visit has been very helpful.

BEAULAC

834.24/12-1145

The Secretary of State to the Ambassador in Paraguay (Beaulac)

No. 331

WASHINGTON, December 11, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Paraguayan Embassy in Washington, together with a copy of Statement LL-6,⁴⁰ showing charges made against the Government of Paraguay for the period from June 1, 1945 through August 31, 1945, for defense matériel transferred under the terms of the Lend-Lease Agreement signed September 20, 1941.

It will be noted that the amount of charges during the period under reference is \$70,619.35, and that charges through August 31, 1945 for all defense matériel transferred to Paraguay aggregate the grand total of \$1,612,358.92. Of this grand total the sum of \$43,000 represents the approximate appropriate percentage due on account, of which \$33,000 has been paid.

This Government will continue to maintain the policy of requesting reimbursement payments in accordance with the terms stipulated

³⁹ In Department's telegram 356, November 27, 1945, 3 p. m., the Ambassador was instructed to postpone a discussion of the subject with the President (834.20 Missions/11-2145).

⁴⁰ Neither printed.

in the Lend-Lease Agreements with the various other American Republics.⁴¹

Very truly yours,

For the Secretary of State:
SPRUILLE BRADEN

CONCERN OF THE UNITED STATES IN THE ELIMINATION OF AXIS
INTERESTS IN PARAGUAY

[For previous documentation on this subject see *Foreign Relations*, 1944, volume VII, pages 1479-1503. Documentation concerning negotiations with the Government of Paraguay during 1945 with regard to the application of the Proclaimed List of Certain Blocked Nationals is filed in the Department under 740.24112A.]

CONCERN OF THE UNITED STATES WITH PARAGUAYAN FINANCIAL
OBLIGATIONS AND WITH PROVIDING LOANS FOR INTERNAL
DEVELOPMENT

811.516 Export-Import Bank/4-945: Telegram

The Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, April 9, 1945—7 p. m.

149. The Eximbank has called the attention of the Department to the fact that the Paraguayan Government is in default on payments under Eximbank loans. The last payment on account of principal and interest was made November 27, 1944 representing amounts due up to October 31, less \$66.24. No payment made since then. Amount in arrears March 31 was \$159,460.47.

The Bank has discussed the matter on three occasions with the Ambassador from Paraguay⁴² and the Ambassador informed the Bank that, following these discussions, he sent urgent cables to the Minister of Foreign Relations⁴³ on February 7, March 12, and April 2, 1945. The Ambassador states that no replies have been received.

Unless you have good reason to the contrary you are authorized on behalf of Eximbank to call this matter to the attention of the Minister of Finance⁴⁴ and inform the Department of the results of your conversation.

STETTINIUS

⁴¹ In instruction 157, March 20, 1945 (834.24/1-2545), the Department had called attention to the fact that the Paraguayan Government had made no payments on its Lend Lease account. The amount due was indicated in instruction 220, June 6, 1945 (834.24/4-2445), as \$36,000, but in airgram 165, August 9 (834.24/8-945), the Department advised the Embassy of the payment of \$33,000 on the account. By instruction 305, October 5, 1945 (834.24/10-545), the Department indicated the total charges for defense materials aggregated \$1,541,739.57, and the balance due from Paraguay was \$8,000.

⁴² Celso R. Velasquez.

⁴³ Juan Horacio Chiriani.

⁴⁴ Juan Plate.

834.51/4-1945

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 728

ASUNCIÓN, April 19, 1945.

[Received April 28.]

SIR: Supplementing my despatch No. 580 of February 22, 1945⁴⁵ (subject: "Recommending that Export-Import Bank loan be used for agricultural development and construction of transportation facilities in Paraguay"), I have the honor to report that the Minister of Foreign Affairs, Dr. Horacio Chiriani, several weeks ago suggested at a meeting of the Council of Ministers that the Paraguayan Government request an allocation of the \$450,000 remaining out of the second 3 million dollar Export-Import Bank credit, in the manner suggested in my despatch referred to, that is to say, \$125,000 for agricultural promotion and \$325,000 for highway maintenance and construction.

Dr. Chiriani informs me that the Minister of Agriculture⁴⁶ objected to giving up any of the \$450,000 which he had hoped to obtain for his own department, and that the matter was allowed to rest there.

I have recently been informed by Mr. John Camp, Chief of Party for Stica,⁴⁷ that the Minister of Agriculture has now given up hope of obtaining a credit from the Export-Import Bank any greater than that needed to cover dollar expenditures in the United States under the agricultural program described in my despatch No. 580.

It is possible, therefore, that the Paraguayan Government may some time in the future request a credit in the amount of \$450,000 to be allocated in the manner suggested.

In connection with the foregoing, I have reminded Dr. Juan Plate, Minister of Finance, that Paraguay is in arrears in servicing its indebtedness to the Export-Import Bank. I shall pursue the matter with him and the Foreign Minister. I do not doubt that payment will be forthcoming.

I do not consider that any additional credit should be extended to the Paraguayan Government until service of the credits already granted has been brought up to date, nor do I think the Paraguayan Government will request additional credits until this has been done.

Respectfully yours,

WILLARD L. BEAULAC

⁴⁵ Not printed.

⁴⁶ Alfonso Dos Santos.

⁴⁷ Servicio Técnico Interamericano de Cooperación Agrícola.

834.51/5-1145

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 775

ASUNCIÓN, May 11, 1945.

[Received May 21.]

SIR: Referring to the Department's telegram No. 168 of May 10, 7 p. m.⁴⁸ in which it is stated that consideration of the possible allocation of the remaining \$450,000 of the Export-Import Bank credit is being held up because of Paraguayan arrears, I have the honor to report that, as stated in my despatch No. 728 of April 19, 1945, I reminded Dr. Juan Plate, Minister of Finance, of Paraguay's indebtedness several weeks ago. I mentioned it again to him this morning, in a long conversation, a portion of which I reported in my despatch No. 774 of May 11⁴⁸ (subject: "Reports Reaching Embassy with Reference to Asunción Waterworks Project").

Doctor Plate said that he hesitated to say exactly when Paraguay's Export-Import Bank indebtedness would be cleared up, but that he hoped to clear it up next month.

Doctor Plate is an honest, able and conscientious Minister of Finance, and so long as he occupies his post, I believe that neither the Department nor the Export-Import Bank need be preoccupied about Paraguay's maintaining service on the Export-Import Bank credits, although some delay in meeting specific payments may be expected in the future as in the past.

With reference to the proposed allocation of the remaining \$450,000 of the Export-Import Bank credit, I stated in my despatch No. 728 of April 19 that I did not consider that any additional credit should be extended to the Paraguayan Government until service of the credits already granted had been brought up to date, nor did I think that the Paraguayan Government would request additional credits until this had been done. Those are still my opinions.

I took advantage of the opportunity this morning to discuss with Doctor Plate the proposed allocation of the remaining \$450,000, and he agreed, in principle, to the allocation, although he made no request in connection with it.

He said that Paraguay's most urgent need was for a sound financial plan, which he hoped to draw up. He said that it was very difficult for the Paraguayan Government to know today how much it could afford to borrow outside or whether it could afford to borrow outside. He said he hoped that such a plan would be drawn up shortly.

In partial explanation of the Paraguayan Government's delay in servicing the Export-Import Bank loan, I may say that the service

⁴⁸ Not printed.

of this loan is a heavy burden on Paraguay's finances, although a burden which the Government can meet under the present circumstances, and intends to meet. It is, of course, lamentable, from the viewpoint of Paraguay's ability to service the loan, that the construction of the two highways which we financed in Paraguay should have coincided with a sharp curtailment of supplies of gasoline and tires as a result of the war. This curtailment has made it impossible, of course, for Paraguay to exploit the highways or to utilize them to produce revenue with which to pay for them.

The situation is particularly difficult from this viewpoint because Paraguay's quotas of gasoline and tires are based on consumption during pre-war years, when not a single kilometer of modern highway existed in Paraguay. Paraguay now has several hundred kilometers of all weather highways, financed through Export-Import Bank credits, but because of gasoline and tire shortages there is not enough traffic even to keep the highways in reasonably good condition. In subsequent despatches I intend to bring this situation to the Department's attention in greater detail, with the hope that some improvement may be brought about.

In summary, therefore, I am certain that service on the Export-Import Bank credits will be brought up to date in a few weeks. It is possible that after that time the Paraguayan Government may request an allocation of the remaining credit along the lines suggested in my despatch No. 580 of February 22, 1945.⁴⁹ I hope that the Department and the Export-Import Bank will be sympathetic to the Paraguayan Government's request when it should be made.

Respectfully yours,

WILLARD L. BEAULAC

834.51/4-1945 : Telegram

*The Acting Secretary of State to the Ambassador in Paraguay
(Beaulac)*

WASHINGTON, May 18, 1945—4 p. m.

175. With reference to the Embassy's Despatch No. 580, of February 22, 1945,⁴⁹ and the Embassy's Despatch No. 728, of April 19, 1945, a request for the allocation of the remaining \$450,000 balance of Eximbank credit was presented directly to the Eximbank by the Paraguayan Ambassador. The Eximbank informs the Department that the following reply was made to the Paraguayan Embassy:

"As a prerequisite to any further allocations under the credit past due payments must be cleared up. If proper technical supervision is assured and credit is serviced and administered by appropriate Paraguayan Government Credit Body, Eximbank will allocate un-

⁴⁹ Not printed.

used portion of credit for purchases of agricultural equipment, river transportation, or any other sound program requiring dollar expenditures. Eximbank will not entertain requests involving expenditures in local currency."

GREW

834.51/7-1345

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 934

ASUNCIÓN, July 13, 1945.

[Received July 24.]

SIR: Supplementing my despatch No. 755 [775] of May 11, 1945 (subject: "Allocation of remaining Export-Import Bank credit to Paraguay"), I have the honor to report that I had another conversation yesterday with the Minister of Finance, Dr. Juan Plate, concerning Paraguay's failure to date to make up the arrears of interest and amortization payments to the Export-Import Bank. I told him that I regretted very much that the Paraguayan Government was letting this matter slip, and that I would like to be able to inform my Government that the Paraguayan Government intended and had taken the necessary steps to pay up promptly.

Dr. Plate then told me of the demands being made on his Ministry. He said that his recent efforts to balance the budget were being resisted by the military, and other ministries also were making unreasonable demands. He said at first that he could make partial payments and insure that the arrears should not accumulate any further. I expressed no enthusiasm over that offer. He said, finally, that he himself was prepared to do two things: first, to pay up the arrears, and second, to allocate additional government revenues to the service of the debt so that additional arrears would not accumulate in the future. He suggested that I take the matter up once more with the Minister of Foreign Affairs, whose support in the Cabinet would be helpful to Dr. Plate.

I saw the Minister of Foreign Affairs this morning and presented the matter to him. I said I would like to see this indebtedness cleared up before Captain Martino, the Minister of Public Works, reaches Washington, in some three or four weeks. Dr. Chiriani agreed to the desirability of this, and said he would take the matter up at the next meeting of the Council of Ministers on Monday.

When Captain Martino, the Minister of Public Works, called on me this morning, prior to his departure for the United States, I also discussed the matter with him. He said he was in agreement and would support the idea.

I intend to press this matter until it is satisfactorily taken care of.

Respectfully yours,

WILLARD L. BEULAC

834.51/8-1745 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, August 17, 1945—noon.

[Received August 18—12:46 a. m.]

429. It will be noted from my despatch 1011 Aug 9⁵¹ that a near crisis has developed here with ref to percentage of Paraguayan budget which will be devoted to armed forces. Minister of Finance maintains that unless President⁵² substantially accepts his view that needed budget reductions must be at expense of armed forces rather than of civilian agencies or foreign creditors he will insist that his resignation, already tendered, be accepted. If it is accepted probability is he will be succeeded by a person⁵³ more sympathetic to continued demands of armed forces for what present Minister of Finance considers excessive percentage of govt revenues.

I have been urging Minister of Finance personally and confidentially not to abandon his post at this time but it would be helpful to me, in my own thinking on the subject, if Dept could give me an idea of what steps if any are contemplated to meet what probably is a general problem throughout American Republics arising out of unusual budgets devoted to armed services during war and to desire of armed services to retain their favored position at expense of civilian agencies which have insufficient funds adequately to perform their functions. It seems to me that extent of our economic cooperation with individual American Republics in the future should be related to extent to which those republics economically make use of their own ordinary revenues. If I could say this confidentially to President or to Minister of Foreign Affairs within next few days it might strengthen the hand of civilian elements here who are endeavoring to prevent continued military domination of the govt during peacetime. It might of course precipitate a crisis in which the military would win out but in event the military have the strength that such a victory would indicate, it is probably just as well that we should determine this at an early date and adjust our policy accordingly.

Dept may wish to indicate to me whether general problem raised herein may be treated at October meeting of Ministers of Foreign Affairs in Rio⁵⁴ or at Washington economic conference.⁵⁵ Please inform me also whether Inter-American Financial and Economic Advisory Committee has transmitted urgent request for information

⁵¹ Not printed.

⁵² Gen. Higinio Morínigo.

⁵³ The Minister's resignation and the succession of the Minister for Foreign Affairs as Acting Minister of Finance was reported by the Ambassador in his telegram 437, August 22, 1945, not printed.

⁵⁴ For documentation on the postponement of this Conference, see pp. 154 ff.

⁵⁵ For documentation of this proposed Conference, see pp. 172. ff.

on economic, financial and monetary situation of Govts of the American Republics provided for in paragraph 1 of resolution 17 of Mexico City Conference.⁵⁶

BEAULAC

834.51/8-2245

*Memorandum by Mr. Louis J. Halle of the Division of American Republics Analysis and Liaison*⁵⁷

[WASHINGTON,] August 22, 1945.

The attached draft telegram to Asunción⁵⁸ raises fundamental questions with respect to this Government's commitments on non-intervention.

Ambassador Beaulac's action in urging the Paraguayan Minister of Finance not to resign, together with other actions in the field of domestic political and economic developments, might be regarded as intervention of a sort that the American republics agreed to eschew at Montevideo in 1933⁵⁹ and Buenos Aires in 1936.⁶⁰ The somewhat similar actions that our representatives have taken in Argentina during the past couple of years may be justified by the special situation existing there in which the Argentine Government was cooperating in some degree with the enemy and impeding the war-effort of the American republics. However, this element of intelligence with the enemy apparently does not enter into the Paraguayan picture, where our concern is based on the undemocratic character of the local government.

The attached draft telegram authorizes the Ambassador to inform the authorities in Asuncion that the Department is *concerned* with the use by the Government of a disproportionate share of the national income for the maintenance of the military establishment. I suggest that we cannot properly have such a concern under the terms of our non-intervention commitment. We would not tolerate Paraguayan concern with our military budget.⁶¹

⁵⁶ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 54; for documentation on the Conference, see *ante*, pp. 1 ff.

⁵⁷ Addressed to the Chief of the Division of River Plate Affairs (Butler), the Director of the Office of American Republic Affairs (Warren), and to Assistant Secretary of State Rockefeller.

⁵⁸ Not printed.

⁵⁹ The Seventh International Conference of American States; for documentation, see *Foreign Relations*, 1933, vol. iv, pp. 1 ff.

⁶⁰ Inter-American Conference for the Maintenance of Peace; for documentation, see *ibid.*, 1936, vol. v, pp. 3 ff.

⁶¹ Two marginal handwritten notes on the original read as follows: "I believe we can properly express concern as long as Paraguay requests financial aid from us. G. H. B[utler]," and "We might have to tolerate it if we were trying to borrow Paraguayan money to support it. P. O. C[halmers]."

The telegram further authorizes the Ambassador to inform the authorities that United States economic cooperation with individual American republics will "probably" be influenced by the manner in which they manage their own economies. This is, of course, reasonable when examined at short range. However, if the United States is going to make its cooperation contingent upon the management of their economies by the other American republics in a manner of which it approves, then it may find itself taking a position in which it can dictate the management of those economies. Certainly we have not, in recent times and as a matter of policy, insisted on general adjustment of domestic economies in the other American republics as a condition of our cooperation. Although the Bolivian economy, for example, is badly mismanaged and almost 50% of the Bolivian budget is for the maintenance of the military establishment, we have not therefore withheld the extensive economic and social cooperation that we are extending to Bolivia.⁶²

I believe that this may be one of those cases where short range considerations tempt us to drift into a policy of intervention that was abandoned 12 years ago when the Good Neighbor Policy⁶³ was inaugurated.

LOUIS J. HALLE, JR.

834.51/8-2345

*Memorandum by the Chief of the Division of Brazilian Affairs
(Chalmers)*

[WASHINGTON,] August 23, 1945.

INTERVENTION IN PARAGUAYAN AFFAIRS

I find it very difficult to follow the reasoning in Mr. Halle's memorandum of August 22 on the above subject. It seems to me that there is much confusion over the meaning of the word "intervention".

The United States is committed, by convention and otherwise, to assist in the solution of the economic problems of our Latin American neighbors. One of the implied conditions of such assistance, however, is that the nations to be assisted conduct their own internal affairs in a manner which will permit such assistance to accomplish its objectives.

⁶² Marginal handwritten notes appear as follows: "My guess is that our long range program of economic cooperation will take into consideration the fiscal honesty and efficiency of other governments. G. H. B[utler]"; "I certainly hope so. P. O. C[halmers]". Another note reads: "Perhaps we should begin to now. P. O. C[halmers]."

⁶³ Policy enunciated by President Roosevelt in his inaugural address, March 4, 1933, *Congressional Record*, vol. 77, pt. 2, p. 5, and given special application to the American Republics in his address before the special session of the Governing Board of the Pan American Union, April 12, 1933, *The Public Papers and Addresses of Franklin D. Roosevelt*, vol. II, p. 129.

This condition is in no way weakened because it is implied rather than express[ed].

The American people should not, and will not, long tolerate the extension of "loans" to nations unable to put their own houses in order, especially if the funds in question are diverted to useless armed forces. We have no obligation of any kind to support uneconomic conditions or to assist our neighbors to the south in digging their own graves by buttressing wasteful and unnecessary military establishments. On the other hand, we have a positive obligation to inform these countries in clear and unmistakable terms of the minimum conditions under which our assistance can reasonably be expected. If this is "intervention", then let us have a great deal more of it.

Our own welfare depends to a large extent on the soundness of economic conditions in this Hemisphere. We cannot dodge our responsibilities in this connection by hiding behind the nebulous curtain of "non-intervention". In fact some countries are so dependent on the United States that whatever is done, or not done, is intervention in any event, according to the interpretation which some persons have persistently put upon that word.

I consider that RPA's draft ⁶⁴ of a reply to Asunción's 429, August 17, noon, is excellent. It states a sound, realistic policy. Personally, I should like to see some of its qualifying phraseology removed and the policy set forth adopted in toto by this Government as a guide in its economic relations with all of Latin America. I recognize the political aspects of the problem, but we cannot overlook the fact that political actualities, more often than not, have their ultimate source in economic considerations.

834.51/8-1745: Telegram

The Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, August 27, 1945—6 p. m.

284. Urtel 429 Aug 17. Dept hopes in comparatively near future to transmit to the field a policy directive regarding economic assistance to the other American republics but you may use substance of following paragraphs as basis for personal and confidential conversation with Minister of Finance.

US economic cooperation with individual American republics must take into consideration effectiveness of effort in those countries to establish their national economies on sound financial basis. If economic assistance is requested of US Dept could not recommend favorable action or justify before public opinion extension of financial as-

⁶⁴ Draft not found in Department files, but see telegram 284, August 27, 6 p. m., to Asunción, *infra*.

sistance without assurances regarding constructive use of funds and reasonable assurances of sound financing. This is a legitimate and businesslike approach especially in cases, such as the Paraguayan one, where the country concerned is in default on Export-Import Bank or other US loans or credits.

On this basis you could point out to appropriate Paraguayan officials that Dept must be concerned when it sees a country in a precarious economic position and desirous of continued financial assistance from us set aside large sums from their revenues for the maintenance of a military establishment which apparently has long received more than its share of national income. One of factors in working out program of military cooperation with American republics will be the economic and financial capacity of each country to support the military establishment suggested as basis of program.

It would be reversal in our policy of friendly interest in Paraguay's welfare if we did not make clear the fact that Dept could hardly recommend additional financial assistance if steps are not taken to put Paraguayan economy on sound basis.

It was decided at recent IFEAC⁶⁵ meeting that delegates of each country would request their governments to furnish the information on economic, financial and monetary situations mentioned in Resolution 17 of Mexico City Conference. Only reply received to date is from Mexico. Delegates will be asked at next IFEAC meeting if they have requested their govts to submit information.

BYRNES

834.51/9-545 : Telegram

*The Acting Secretary of State to the Ambassador in Paraguay
(Beaulac)*

WASHINGTON, September 5, 1945—6 p. m.

292. Eximbank informed Minister Martino that it would make available balance of credit \$450,000⁶⁶ but would not consider any further line of credit until Paraguay had clearly demonstrated its ability to make payments. This is in answer to Martino's request for loans for public works including cement mill and ships. The action of Eximbank in approving availability of former loan was influenced by fact that payment received of amortization and interest on loans in arrears to July 31.

ACHESON

⁶⁵ Inter-American Financial and Economic Advisory Committee, succeeded by the Inter-American Economic and Social Council. For documentation, see pp. 172 ff.

⁶⁶ Telegram 296, September 11, 1945, 8 p. m., to Asunción, stated that this credit was for construction of highway between Las Misiones and Coronel Bogado (834.51/9-645).

834.51/9-1345 : Telegram

*The Acting Secretary of State to the Ambassador in Paraguay
(Beaulac)*

WASHINGTON, September 13, 1945—7 p. m.

302. Dept informed by Exim Bank that on Sept 10 Paraguay paid \$37,850. The account is now fully paid to Aug 31 with the exception of approximately \$1700 representing interest on past due principal.

ACHESON

834.51/9-1545 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, September 15, 1945—10 a. m.

[Received 5 : 08 p. m.]

476. Emb report 106, Oct 7, 1944.⁶⁷ Bank of Paraguay desires 10-year loan from Export Import Bank of 2 million dollars to be amortized by 10 annual payments of 2,000 each plus accrued interest. The proceeds would be used exclusively for mortgage dept of Bank for mortgage financing of industry and agriculture as provided by the organic law of the Bank. Funds for this purpose are not obtainable locally in sufficient quantity. Also any available through issuance of mortgage bonds would be at a high interest rate probably 6½ percent. Bank is seeking loan at 2½ percent that it may lower relending rates now current. These are 6½ percent on good industrial and similar loans for periods up to 5 years, 8 percent on small individual loans such as those for construction of private homes and 4 percent on essential govt contracts such as cold storage plant now under construction here. Bank hopes to lower these rates to maximum of 6 percent maintaining minimum of 4 percent if loan can be provided at 2½ or 3 percent.

Argentine Bank of the Nation has offered 10 million Argentine pesos for this purpose on above terms but at 4 percent. Besides seeking lower interest rate Bank is hesitant to add commitments increasing Paraguay's economic dependence on Argentina.

As Argentina is pressing for reply to its offer Bank of Paraguay would appreciate telegraphic advice as to whether Export Import Bank is in a position to consider request.

BEAULAC

⁶⁷ Not printed.

834.51/9-1545: Telegram

The Acting Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, September 21, 1945—8 p. m.

307. Loans for purpose suggested urtel 476, Sep 15 are not as matter of policy granted by Eximbank. Only under unusual circumstances does Bank grant loans to defray local currency costs. Loan requests for like purposes have recently been denied to other American republics. Bank is therefore unwilling to consider request under reference for Bank of Paraguay.

ACHESON

834.51/11-1945: Telegram

The Secretary of State to the Ambassador in Paraguay (Beaulac)

WASHINGTON, November 19, 1945—8 p. m.

349. From Eximbank. Installments on credits to Paraguay which were paid in September up to end August are now overdue or due for September, October and November as follows in dollars and cents: Loan 228, September 29,996.73; October 29,382.45; November 31,744.16. Loan 337, September 7,964.92; October 7,620.83; November 6,250.96. Total due on both loans for all 3 months 112,960.05.

It will be recalled that approval of allocation of remaining \$450,000 credit established in 1942 was conditional on prompt future payment by Paraguay of installments on outstanding credits. Would like to know intentions of Paraguayan Govt regarding payment installments now due or overdue and to have advice of Emb on advisability of sending to Paraguayan Govt via Emb monthly notices of installments falling due. [Eximbank.]

BYRNES

834.51/12-745

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 1320

ASUNCIÓN, December 7, 1945.

[Received December 18.]

SIR: Supplementing the Embassy's telegram no. 586 of December 3, 3 p. m.,⁶⁸ I have the honor to enclose a copy and translation of note no. 940, dated December 3, 1945⁶⁸ from the Foreign Office, informing the Embassy that \$74,584.00 of the amount due the Export-Import Bank was transferred to the Bank on November 30 and that the remainder due, \$38,376.05, would be transmitted during the month of December.

⁶⁸ Not printed.

The note of the Minister of Finance, which is transcribed in the Foreign Minister's note, states that the Ministry of Finance will suggest a formula which will furnish greater assurance of regular service of the Export-Import Bank's credit. I have reminded the Minister of Foreign Affairs, orally, that such a formula has already been suggested by the Export-Import Bank, and that a copy of the revised payments plan was given to the Paraguayan Ambassador in Washington, while another copy was handed to the Foreign Minister by me. I have also reminded the Minister of Foreign Affairs of this plan, concerning which he appeared to be uninformed.

Since receiving the enclosed note, I have been informed by the Minister of Finance that a draft for the remaining \$38,776.05 has likewise been sent to the United States, and that Paraguay is again up to date on its payments.

Respectfully yours,

WILLARD L. BEAULAC

PERU

ENTRY OF PERU INTO A STATE OF BELLIGERENCY WITH THE AXIS POWERS AND ADHERENCE OF PERU TO THE UNITED NATIONS DECLARATION

740.0011 E. W./1-1245 : Telegram

The Acting Secretary of State to the Ambassador in Peru (White) ¹

WASHINGTON, January 12, 1945—3 p. m.

43. For your personal and secret information the President of Chile has, after long and careful consideration, informed us that critical political conditions in Chile, where congressional elections will be held in March, precludes Chile's taking the initiative at this time regarding the situation explained to you by Wright upon the occasion of his recent trip.² Accordingly, it has been decided to proceed forthwith to inform Peru, Ecuador, Venezuela, Uruguay, and Paraguay of this situation.

I am sure that you have well in mind the instruction which Wright showed you, but to recapitulate, the principal points are:

(1) A country may become a member of the United Nations only if it is at war with either Germany or Japan.

(2) The time is approaching when the "Associated Nations" may find themselves in the painfully embarrassing position of being placed in a category apart from their sister republics who are United Nations. It is quite probable that certain of our allies who have suffered great loss of life and material damage will not agree to allow the "Associated Nations" to enter into the postwar discussions of the United Nations on an equal footing unless and until those "Associated Nations" have formally aligned themselves shoulder to shoulder with the nations engaged in this war. This does not mean that any further material contribution would have to be made by those nations to the prosecution of the war.

(3) This Government has done and will continue to do what is feasible to gain admission to United Nations conferences on an equal footing for the "Associated Nations" irrespective of whether they regularize their status, but we are not sanguine that this will be possible in the light of the strong feeling which exists on the subject by nations which have been invaded or suffered greatly.

¹ Repeated, *mutatis mutandis*, January 12, 3 p. m., to Ecuador as No. 39 and to Venezuela as No. 21.

² For the beginning of the mission to Chile, Peru, and other states of James H. Wright, Chief of the Division of North and West Coast Affairs, see despatch 1888, December 5, 1944, *Foreign Relations*, 1944, vol. VII, p. 691.

(4) Quite aside from clarifying the position of Peru as regards the forthcoming meeting relating to an International Security Organization, this action should have an important practical and psychological effect on the earlier termination of the war and the nations concerned could well take pride in this.

(5) The awkwardness of the position of the six American "Associated Nations" was manifest on January 1, when the French Ambassador here signed the Declaration by United Nations³ at a ceremony to which were invited only representatives of the United Nations. Furthermore, there is increasing evidence that very soon will arise concretely the problem of what nations will be invited to the forthcoming United Nations Conference to consider the Dumbarton Oaks proposals.⁴

(6) The "Associated Nations" are cooperating in the war, but are not in a formal state of war. A formula which could be used locally to formalize their status is: "The Lima and Panama declarations⁵ established the doctrine that aggression by a non-American power against an American power is an aggression against all; this aggression has occurred against several American republics; relations were broken; it is commonly recognized that although no formal state of war exists, the actions of the 'Associated Nations' have been such as to make their status just short of being at war; and there should be ample ground for formalizing their status by an appropriate action declaring that as of a certain date, present or past, the nation concerned is or has been in a state of war with, for example, Japan".

You will realize that Peru's reaction to this proposition is likely to be negative unless it is presented as a significant opportunity for Peru to improve its own position and at the same time to make a positive contribution not only to inter-American solidarity in the war but also to the building of an international security organization.

We feel that in all fairness to Peru we must recommend strongly that in its own interest Peru should take steps to regularize its status at the earliest possible moment. Please see either the President⁶ or the Foreign Minister⁷ as soon as possible and discuss this matter with him in secrecy and frankness. As soon as you have done this, please telegraph the Department.

³ *Foreign Relations*, 1942, vol. 1, p. 25.

⁴ For documentation on the United Nations Conference on International Organization, San Francisco, April 25-June 26, 1945, see vol. 1, pp. 1 ff. For documentation on the Dumbarton Oaks Conversations, see *Foreign Relations*, 1944, vol. 1, pp. 713 ff.

⁵ For text of the Lima Declaration, 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 text of the Panama Declaration, see Resolution XIV of the Consultative Meeting of the Foreign Ministers of the American Republics, September 23-October 3, 1939, at Panama, Department of State *Bulletin*, October 7, 1939, pp. 331-333.

⁶ Manuel Prado y Ugarteche.

⁷ Manuel C. Gallagher.

This matter is not being discussed with the Peruvian Ambassador here.⁸

GREW

740.0011 EW/1-2645

The Acting Secretary of State to the Ambassador in Peru (White)

No. 3840

WASHINGTON, January 26, 1945.

SIR: I refer to the Department's secret telegram no. 43 of January 12, concerning the importance of Peru's formalizing its status by becoming a member of the United Nations. This matter is taking on added importance and, in order to present the need for early action and make his own stand clear and unequivocal, the President has considered it best to address personal letters in the premises to the Presidents of the six American republics⁹ concerned.

The letter addressed to the President of Peru is enclosed¹⁰ and you are requested to deliver it immediately to President Prado. A copy is likewise attached for your secret information. Similar presentations are being made at Quito, Santiago, Caracas, Montevideo and Asunción.

I wish to underline the fact that the highest importance is attached to Peru's taking this step at the earliest possible date. I am confident that you will present the matter urgently and at the same time in its proper perspective.

Please submit a telegraphic report as soon as possible.

Very truly yours,

JOSEPH C. GREW

740.0011 E W /1-3045: Telegram

The Ambassador in Peru (White) to the Secretary of State

[Extract]

LIMA, January 30, 1945—11 a. m.

[Received 1:30 p. m.]

96. I yesterday handed Foreign Minister enclosure secret despatch 3840 January 26 for delivery addressee, apprised him of content, requesting information as to progress.

⁸ Pedro Beltrán.

⁹ Chile, Ecuador, Paraguay, Peru, Uruguay, and Venezuela.

¹⁰ This letter was the same, *mutatis mutandis*, as the letter addressed to the President of Chile, printed on p. 758.

He said that for internal political reasons he was exploring possibility avoiding special session Congress, thus reversing his stand reported telegram 54, January 16, 1 p. m.¹¹

WHITE

740.0011 E W /2-445 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, February 4, 1945—7 p. m.

[Received February 5—1:48 a. m.]

122. *Herald Tribune* story¹² re President and six Associated Nations published this morning's press. Peruvian Ministry is making no statement.

Foreign Minister summoned me today to state that meeting of Congress impossible in view of local political situation. It was accordingly proposed to make a statement similar to that of Colombia dated November 26, 1943 against Germany.¹³ This referred to aggression and consequent necessity taking measures for defense, which, however, should not interrupt normal constitutional course of juridical institutions.

Proposed Peruvian statement would refer to Lima, Habana and Rio Conferences;¹⁴ recite actions performed of belligerent nature, declare that these acts amounted to belligerency as also intention to sign United Nations Declaration.

Peruvian Government naturally does not wish to make this announcement unless previously assured by Department that it will fill the billet. Foreign Minister cited last paragraph of President's letter¹⁵ in support of this proposal.

He seemed to think Venezuela would adopt similar line.

WHITE

¹¹ Not printed; the Foreign Minister was reported as foreseeing no obstacles, "not excluding summoning of special session of Congress." (740.0011 EW/1-1745)

¹² *New York Herald Tribune*, February 3, 1945, p. 1.

¹³ For substance of this statement, see Department of State *Bulletin*, November 27, 1943, p. 379.

¹⁴ The reference is to the resolutions of the Eighth International Conference of American States at Lima in 1938, and to the Second and Third Meetings of the Ministers of Foreign Affairs of the American Republics at Habana in 1940 and at Rio de Janeiro in 1942, respectively.

¹⁵ See footnote 10, p. 1314.

740.0011 E W /2-445 : Telegram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, February 5, 1945—4 p. m.

128. Reurtel 122, February 4, 7 p. m. In order for this Government, as depository for Declaration by United Nations, to accept the adherence of Peru, we should have a formal statement from the Peruvian Government that Peru is in a status equivalent to being "at war" with Germany or Japan or both. The expression "at war" is used in the United Nations Declaration. In presenting this matter to the Foreign Minister please show him copy of the Declaration, sent with our instruction 1067 of March 25, 1942.¹⁸

By following the formula contained in paragraph number 6 of Department's telegram 43 of January 12 and in your 122 of February 4, 7 p. m., it would appear that Peru would be in a position to make a formal statement as indicated above. However, this is of course a matter which Peru must determine.

Please telegraph immediately whether contemplated action would be against Germany or Japan or both.

GREW

740.0011 E W /2-845 : Telegram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, February 10, 1945—6 p. m.

146. Reurtel 139, February 8, 8 p. m.¹⁸ Garland¹⁹ came in this morning with a proposed draft which appears entirely satisfactory except for the last paragraph. We said it was necessary that this paragraph be slightly revised to read generally as follows: The President of Peru, with approval of Council of Ministers, declares or recognizes that as a consequence of these acts there has resulted a state of effective belligerency between Peru and the two Axis nations and it has been decided that Peru adheres to the Declaration by United Nations by subscribing to that international document.

We believe that this slight change will be acceptable to Peru as it follows the general line of the Colombian procedure which we understand Peru is using as a guide. Garland was satisfied with proposed modification, which he is cabling to the Foreign Office.

Please immediately see the proper authority to reinforce Garland's cable.

GREW

¹⁸ Not printed.

¹⁹ Eduardo Gorland, Peruvian Chargé in Washington.

740.0011 EW/2-1245

The Peruvian Embassy to the Department of State

MEMORANDUM

In compliance with the request made in the Memorandum of the Department of State, dated February 12th, 1945,²⁰ the Peruvian Embassy considers that the terms "state of effective belligerency" are equivalent to the expression "at war" as contained in the Declaration by the United Nations.

WASHINGTON, February 12, 1945.

740.0011 E.W./2-1145

The Acting Secretary of State to the Peruvian Chargé (Garland)

WASHINGTON, February 13, 1945.

SIR: I acknowledge the receipt of your note of February 11, 1945,²⁰ in which you quote a declaration of the Government of Peru stating that it recognizes a state of effective belligerency between Peru on the one side and Germany and Japan on the other; that it has resolved upon the adherence of Peru to the Declaration by United Nations; and that you have been authorized to sign in the name of Peru.

The Government of the United States, as depository for the Declaration, is gratified to welcome Peru formally into the ranks of the United Nations. Arrangements are being made for you to sign the Declaration on February 14, 1945.²¹

Accept [etc.]

JOSEPH C. GREW

DISCUSSIONS BETWEEN THE UNITED STATES AND PERU
CONCERNING DEFENSE QUESTIONS²²

810.20 Defense/2-1645: Telegram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, February 16, 1945—7 p. m.

165. It is agreed by the State, War, and Navy Departments that Military and Naval Staff conversations with Peru should start March 19. Refer Department's secret circular instruction August 1, 1944,²³

²⁰ Not printed.

²¹ For a report of the ceremonies of signing the Declaration in behalf of Peru and other states on February 14, see Department of State *Bulletin*, February 18, 1945, pp. 234-237.

²² For previous documentation on defense questions, see *Foreign Relations*, 1944, vol. VII, pp. 1504 ff.

²³ *Foreign Relations*, 1944, vol. VII, p. 105.

January 10, 1945.²⁴ Please consult the Foreign Minister and cable Department whether that date is agreeable to the Peruvian Government.

Conversations in Peru will be under the supervision of General Brett²⁵ and Admiral Kingman.²⁶ They will get in touch with you directly concerning details of the conversations. General Brett will provide you with a program outlining the purpose of the conversations and the topics to be discussed. On receipt of it please transmit the program to the Peruvian authorities, unless you receive [*perceive*] objection in order that they may be prepared in advance.

It is emphasized that the forthcoming staff conversations are entirely exploratory in nature, will involve no commitments by either party, and will be confined to technical military and naval discussions, not to include political matters.²⁷

GREW

823.248/3-1445

Memorandum by the Director of the Office of American Republic Affairs (Warren) to the Secretary of State

[WASHINGTON,] March 14, 1945.

I have investigated the request made of you at Mexico City²⁸ by the Peruvian Foreign Minister to expedite delivery of twelve dive bombers. This has long been a contentious case in which the Department has taken a firm stand that the dive bombers should not be delivered to Peru. Our established Lend-Lease policy is that offensive weapons of this nature should not, at this stage of the war, be delivered (except in the most extenuating circumstances) to American republics other than to equip the Brazilian Expeditionary Force and the Mexican Expeditionary Air Squadron. Peru is stronger in offensive air weapons at this time than any other West Coast country and, if we further strengthen Peru, vehement protests will ensue from her neighbors, particularly Chile, Colombia and Ecuador. If we give in to the Peruvians on this matter, we will have to give way to others and will start the armaments race we want to prevent.

I have drafted for your consideration a letter which you may wish to send to Foreign Minister Gallagher in the premises.²⁹

A. M. WARREN

²⁴ *Ante*, p. 600.

²⁵ Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

²⁶ Rear Adm. Howard F. Kingman, Commander, Panama Sea Frontier.

²⁷ Ambassador White reported in his telegram 181, February 23, 1945, midnight, that Peru was agreeable to the beginning of conversations (810.20 Defense/2-2345).

²⁸ The Inter-American Conference on Problems of War and Peace held at Mexico City, February 21-March 8, 1945; for documentation, see pp. 1 ff.

²⁹ See *infra*.

823.248/3-1645

*The Secretary of State to the Peruvian Minister for Foreign Affairs
(Gallagher)*

WASHINGTON, March 16, 1945.

MY DEAR MR. MINISTER: Immediately upon my return to Washington, I investigated the matter of twelve dive bombers for the Peruvian Air Force which we discussed at Mexico City. I find that the war needs are such that the dive bombers in question cannot be furnished, but I am assured that Peru's need of training planes is being fully and currently filled. Although combat planes are not available, this Government nevertheless wishes to do all possible adequately to provide for pilot training, and if it later develops that the training plane situation is not satisfactory, I would be glad to have a study made, with a view to determining what could be done to correct the situation.

Permit me to take this opportunity again to express to you my warm appreciation for the splendid collaboration which the United States delegation received from Your Excellency and the members of the Peruvian delegation at Mexico City.

With renewed assurances [etc.]

EDWARD STETTINIUS, JR.

811.24523/4-245

*Memorandum by the Chairman of the State-War-Navy Coordinating
Committee (Dunn) to the Secretary of State*

[WASHINGTON,] April 2, 1945.

Pursuant to the directives of the President, dated 7 January and 1 February 1944,⁸⁰ the Joint Chiefs of Staff have determined that the United States requires the following post-war military base rights in Peru:

1. The general right for United States military aircraft to operate into and away from El Pato Airbase, Talara, and to fly over Peruvian territory en route to or away from said base, subject only to the same regulations or restrictions as may be imposed on Peruvian military aircraft.

2. The specific right:

a. As the maximum desired—jointly with the government of Peru, to occupy, control, improve, maintain and operate El Pato Airbase and its facilities, including the essential communications systems, aids to navigation, radar or other defense installations, and to station thereat the personnel required to carry out such a joint undertaking.

⁸⁰ These were general directives to initiate negotiations for military bases; for texts, see *Foreign Relations*, 1944, vol. VII, pp. 546 and 550.

b. As the minimum acceptable—the right to utilize El Pato Airbase and its facilities with the same freedom as is accorded to military aircraft of Peru, and to install there such additional facilities or make such improvements as may from time to time be necessary for the operation of United States military aircraft and for the defense of the western hemisphere.

3. Exemption from Peruvian taxes, duties or imposts of any kind of all United States personnel or materiel imported into or located in Peru in connection with the operation of the base or the exercise of the other rights obtained.

The Secretaries of War and the Navy concur in the above determination by the Joint Chiefs of Staff and request that negotiations for an agreement in this matter be initiated with the government of Peru at the earliest moment you deem favorable.

For the State-War-Navy Coordinating Committee:
JAMES CLEMENT DUNN

810.20 Defense/5-1745

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 3312

LIMA, May 17, 1945.

[Received May 30.]

SIR: In conformity with the Department's telegraphic instructions No. 452, May 8, 7 p. m.,³¹ I have the honor to report further on the recent Staff Conferences.

REMARKS REGARDING THE DISCUSSIONS

The opening meeting described in my despatch No. 2864 of May 20³¹ was the only one which I attended, and subsequently thereto my information was that obtained from some of the American officers who assisted. This was in general to the effect that the discussions were proceeding smoothly and fairly rapidly and that the Peruvians displayed, on the whole, a very reasonable attitude.

The Aviation conversations were apparently the least precise and longest drawn out. The specifications for these had been drawn up by our War Department but it was the Marine Mission which was principally responsible for carrying on these negotiations, although some Military Aviation Officers assisted in the discussions as observers. Apparently the Marine Mission did not learn till quite late of the detailed data required.

³¹ Not printed.

POSSIBLE LIMIT OF STATE DEPARTMENT'S INTEREST

There has since arrived a series of folders, some 36 in number, giving an account of the discussions. Most of these are of a highly technical nature and scarcely tempt civilian curiosity; moreover, in view of the very secret nature of the contents it would be fairer to the Peruvians to avoid any but the most unavoidable dissemination of the data contained therein as to the strength, location, etc., of forces.

It is specifically stated (Folder 2, page 3, heading E) that no subjects of a diplomatic or political nature were developed during the conversations. Therefore, from the Department's point of view, it would seem that once it is assured that the conversations and projects connected therewith do not run counter to our general Latin American objectives, the important point for its information is that of ways and means—in other words, what will the projects cost, and to what extent is this cost compatible with available Peruvian resources—to say nothing of the ultimate interest of the American taxpayer. As doubtless the Department fully appreciates, the general objectives of the Conference seem entirely praiseworthy and desirable.

CONVERSATIONS NOT BINDING AND EXPLORATORY

Before entering upon the question of costs in greater detail, I will refer to certain other aspects developed in the course of the discussions.

In the first place, though quite understood beforehand, it might be well to repeat Admiral Kingman's remarks at the opening Naval meeting on March 20 (Folder 28) to the effect that the results of the exploratory conversations are not binding on either Peru or the United States and merely form the basis of a report to Washington, and also that these conversations related specifically to the post-war period.

If the Department desires further information, I shall be glad to try to obtain the same.

Respectfully yours,

J. C. WHITE

810.20 Missions/8-2145

The Chairman of the State-War-Navy Subcommittee on Latin America (Warren) to the Ambassador in Peru (Pawley)

WASHINGTON, September 28, 1945.

MY DEAR MR. AMBASSADOR: Prior to his resignation from the Department, Mr. Rockefeller³² referred to me your letter to him of

³² Prior to his resignation, accepted on August 25, 1945, Nelson A. Rockefeller was Assistant Secretary of State.

August 21, 1945, with which was enclosed a copy of your despatch of August 10³³ regarding the placement of United States military missions in the other American republics.

I have read your letter and despatch with great interest since it concerns a matter which has been under study in the Department for some time. As you know, the agenda for the various staff conversations contained a section asking whether the American republic with whom the conversations were being held desired the establishment of a United States military mission. It is contemplated that, upon request of the various governments concerned, military missions will be placed in those countries not now having them as part of the implementation of the staff conversations.

I agree thoroughly with your analysis of the advantages which may be derived from judicious activity of establishing military missions, and your thinking on this subject parallels that of the Department. We are anxious to achieve a program of standardization and recognize the important part which United States missions may play in this regard. However, as you point out, we must be careful not to send to the other American republics military equipment in such quantities and of such power as to upset the balance of their domestic economy and make them a threat to the peace of the hemisphere. Therefore it is most important that the military missions, keeping in mind the objective of limiting the armed forces to those necessary to maintain internal security, act, as you suggest, to deter unreasonable expenditures on armaments rather than as a medium through which the armed forces of the recipient government are unduly expanded. This demands that we in the State Department be completely informed of the activities of the military missions and be in a position to guide them from a political point of view.

Any further thoughts or suggestions on this general subject would be most welcome.

With kind personal regards,
Sincerely yours,

A. M. WARREN

811.24523/10-1845

*Memorandum by the Chief of the Division of North and West Coast Affairs (Flack)*³⁴

[WASHINGTON,] October 18, 1945.

Among the factors that need to be taken into consideration in connection with the opening of negotiations with the Peruvian Government for permanent rights at Talara are the following:

³³ Neither printed.

³⁴ Addressed to the Director of the Office of American Republic Affairs (Briggs) and to Assistant Secretary of State Braden.

1. *Political.* It has never been suggested to Peru that the United States has any intentions other than to abandon completely the Talara air base no later than six months after the termination of the war. The Peruvian public has found reason for reassurances on this point from time to time; and it is not impossible that the idea will meet with very unfavorable public reaction.

Political stability is in a state of crisis at the moment, with the administration of President Bustamante precariously balanced. The dominant popular force is APRA,³⁵ traditionally an "anti-Yankee imperialism" party, (although it has followed a policy of supporting the United States during the war). The party appears to be poised to take over the Government. To inaugurate discussions at this time might well precipitate the crisis.

For this reason the idea of permanent occupation of Talara by the United States is apt to be politically "hotter" than usual. Therefore, we should not count too heavily on prompt favorable reaction from Peru.

2. Agreement for use of the Talara air base was signed April 24, 1942 by representatives of the War Department and Peruvian military authorities, to be in effect "during the time that the United States is engaged in the present war". The Foreign Office transmitted official approval thereof in a Note to the American Embassy dated July 8, 1942.

3. The land on which the base is located is owned in fee simple by the International Petroleum Company, Ltd., a Canadian corporation. Moreover, the land is within a proven oil field, and the Company is anxious to regain it to carry on future drilling operations.

4. The proposed rental contract between the United States Government and the Company was never consummated. It was signed by the United States but not by the Company since it had not been able to obtain a written consent of the Peruvian Government. The contract provides for occupation of the land for six months after termination of the emergency and/or the war with the Axis countries.

5. Since the inter-government agreement stipulates that the Peruvian Government acquires the installations, et cetera, upon abandonment of the base by the U. S., the presumption is that Peru will expropriate. The oil company fears adequate compensation will not be forthcoming. In such case the question arises whether the Company has grounds, legal or moral, on which to look to the U. S. for remedy.

6. Ownership of the land complicates the situation. Since it concerns oil land, it will presumably cost a substantial sum of money either to expropriate it or to rent it. Conceivably Peru may be persuaded to execute a joint-occupancy agreement in the interest of com-

³⁵ Alianza Popular Revolucionaria Americana.

mon defense, but it appears unlikely that the Peruvian Government could be persuaded to foot the bill. Therefore, it would seem that this Government must be prepared to pay the full cost of acquiring permanent land rights at Talara from the International Petroleum Company.

JOSEPH FLACK

811.24523/10-1945

The Ambassador in Peru (Pawley) to the Secretary of State

No. 437

LIMA, October 19, 1945.

[Received November 8.]

SIR: I have the honor to enclose to the Department herewith an exchange of notes between Rear Admiral L. N. McNair, Chief of the U.S. Naval Mission to Peru, and myself³⁶ with reference to the permanent retention of the Talara Army Air Base, Talara, Peru by the United States Government.

In this connection I should appreciate being advised by the Department as to whether or not the War Department is proceeding with the necessary arrangements for taking over and maintaining permanent control of the Talara Air Base. This base is now under the jurisdiction of the Sixth Air Force, a unit of the Caribbean Defense Command.

In my opinion, the delay in negotiating for the permanent control of this base is being taken by the Peruvian Government and by the Peruvian Air Force to mean that this base and its equipment might soon be transferred to Peru.

Respectfully yours,

WILLIAM D. PAWLEY

**AGREEMENT BETWEEN THE UNITED STATES AND PERU DEFINING
THE MILITARY SERVICE DUE BY NATIONALS OF EACH COUNTRY
RESIDING IN THE OTHER**

[For text of the agreement, effected by an exchange of notes signed at Washington, May 23 and June 12, 1945, see Department of State Executive Agreement Series No. 477, or 59 Stat. (pt. 2) 1606.]

³⁶ Not printed; Admiral McNair was concerned with housing for personnel at Talara, and the Ambassador feared that the Admiral's communication, in the hands of Peruvian naval officials, would have an adverse effect on negotiations with Peru.

EFFORTS TO SECURE COOPERATION OF THE PERUVIAN GOVERNMENT IN THE ELIMINATION OF AXIS BUSINESS INTERESTS IN PERU ³⁷

800.515/1-1045

The Ambassador in Peru (White) to the Secretary of State

No. 2369

LIMA, January 10, 1945.

[Received January 24.]

[Extracts]

SIR: I have the honor to refer to the Department's Confidential Instruction of December 6, 1944 ³⁸ requesting information concerning enemy investments and plans, and the activities of persons attempting to preserve the enemy's economic, political and military potential abroad after the cessation of hostilities.

Peru, through a series of emergency decrees and laws, has successively tightened its controls over the persons and properties of Axis subjects, and it may be said that at the present time the majority of Axis investments in this country have been liquidated and the proceeds frozen. Of the businesses, properties or investments owned by Axis subjects which have not yet been liquidated under this emergency legislation, the greater part are under intervention or administration by the Peruvian Government so that with only a few exceptions the situation here is well under control. However, as our Government's policy, as described in the instruction under reference, envisages the necessity of regulating the activities and investments of Axis subjects in the post-resistance period when as far as is now known Peruvian controls will come to an end and frozen Axis funds handed over to the individual owners, it is obviously necessary that surveillance over such individuals be continued.

It is not known that any looted property has found its way into Peru and it is not regarded as probable that entities domiciled in or controlled from Germany are a vital factor in the local situation, although the few cases in which that probability figures, such as Farbenindustrie, Bayer and Ferrostaal, are in themselves important. The local branches of these organizations have been expropriated and liquidated but as the individuals who managed them are at liberty attempts to reestablish those instruments of German economic penetration in the period following cessation of hostilities are a definite possibility. In general, however, the enemy assets here which may become available to Axis interests in the post-resistance period will belong to Axis subjects or sympathizers actually domiciled in Peru

³⁷ For previous documentation, see *Foreign Relations*, 1944, vol. VII, pp. 1553 ff.

³⁸ Not printed.

who will either act for themselves as local controls permit or through cloaks and other confidential agents. Consequently our register of enemy assets in Peru will not ordinarily contain much information of interest in the investigation and examination of records and individuals in the Axis homelands. Data on hand and to be compiled by this Embassy will be more local in scope but will nevertheless constitute a defense against reestablishment of the enemy's military potential in or from this country.

As a result of Peruvian emergency measures nearly all of the Axis property remaining in this country is in the easily hidden or transferable form of money. It will therefore be very difficult if not impossible in most cases to obtain definite evidence of improper employment. However, our familiarity with all phases of the local situation will enable us to determine with reasonable certainty the identity and methods of those who act as cloaks and intermediaries in the mobilization of the elements of Axis economic resurgence here. . . .

Respectfully yours,

For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

740.23112A/3-2345

The Ambassador in Peru (White) to the Secretary of State

[Extract]

No. 2896

LIMA, March 23, 1945.
[Received April 3.]

SIR: . . .

An up to date appraisal of the overall Proclaimed List situation in Peru should be useful to the Interdepartmental Committee in considering the forthcoming case-by-case reviews, which, we may as well say straight away, are going to be found quite unsatisfactory as concerns a few of the spearhead firms. The causes are explained in the following paragraphs in so far as it is possible to do so at this time.

For almost every practical purpose, the Peruvian Government's Proclaimed List work may be considered as about ended. Finance Minister East, Minister of Foreign Affairs Gallagher, and Superintendent of Economy Pflücker consistently describe the task as completed. They insist that the remaining duties represent only simple formalities to comply with the laws governing auctions, foreclosures, loans and collections, appeals by persons indirectly affected, etc. This attitude

is based on their view that the existing decrees and regulations have outlawed every undesirable German and Japanese business, that none of them exist as legal entities. But they disagree with us on the question of undesirability, and have accorded total or partial immunity to such culprits as Welsch, Klinge, Woyke, Ishikawa, Bayer, Anilinas, Hardt, Ostern, etc.

Persistence, as in the past, against the "immune" group, and recommendations for eventual inclusion in the post-resistance list are the only measures within the immediate reach of the Embassies unless the policy-forming officers wish to receive suggestions on possible counter action. However, we feel that such a course is out of question at this advanced stage of Peru's association with the United Nations.

It is believed that tactful persuasion is the only course remaining after Peru's declaration of belligerency. This method has been used consistently, the latest example having been notes dated March 10 and 12 by the three missions to the Minister of Foreign Affairs regarding the Peruvian Government's most uncooperative and continuous support of the Casa Welsch. There is no decent excuse for its flagrant official endorsement of one of the most obstinate pro-Nazi firms in this country. Self-explanatory copies of the three notes are enclosed.³⁹ The results, if any, will, of course, be reported.

However, Peru has delivered effective blows against the Axis. Those who have not studied all details, nor participated in every hour of the Peruvian campaign, nor witnessed the sincerity of the responsible Peruvian executives, are apt to forget, in their zeal to detect and exterminate the very last virus, that 80 per cent or 90 per cent is about the best we can do with human elements.

There are many common factors we are apt to overlook in our determination to reach the goal of perfection. Comparing Peru's accomplishments with those of Great Britain, Canada, the United States, and our other Allies, before war was forced directly upon them, it would appear that Peru took more drastic action sooner. As for political influence, corruption, and friendship, they produce peculiar results even beyond the territorial jurisdiction of Peru. Unbridled sentimentality is an especially potent force; it impels some to commit even injustices for a friend, but bars even justice for an enemy. . . .

In résumé, the work is not completed; but it has advanced close up to the goal and will progress further. It is believed the extirpation of Axis economic activities in Peru has been sufficiently realistic and thorough to afford reasonable assurance the old roots will not easily sprout under any conditions now predictable. It is improbable that

³⁹ Not printed.

an Axis agent will again try to set up in business in this country under an Axis title. The few who have remained as a result of the human weaknesses cited excuse themselves with explanations they may have been Germans, but never Nazis, that they have been deceived, etc. Others admit they simply backed the wrong horse, and I imagine that the quota of opportunists is equally distributed throughout the nations, that they were equally dangerous then and harmless now. In any event, it seems improbable that even the firms heretofore favored with total or partial immunity will survive the effects of a post-resistance list consistently applied by the Allied Governments. If any should, it seems obvious they would be such ringleaders as Bayer, Ostern, and other big German organizations which may be expected to lie underground and bide their time. It is for this reason that we believe a post-resistance list is imperative.

So far as the three Embassies in Lima ⁴⁰ are concerned, the superior authorities may, after receiving and considering the forthcoming case by case descriptions and our accompanying comments and recommendations, proceed with the deleting in successive supplements, of all of the minor offenders, as described in despatch No. 1976 of November 18, 1944.⁴¹ We do feel, however, that in reducing the present list to its post-resistance status, it would be advisable to apprise the Embassies of the names selected for deletion, in order to permit final examination here; and possibly consultations with the Peruvian authorities in certain cases in which they might be interested, just prior to publication of the contemplated deletions.

Respectfully yours,

For the Ambassador:

JULIAN GREENUP

Counselor for Economic Affairs

740.23112A/6-2845

Memorandum of Conversation, by the Chief of the Division of Economic Security Controls (Mann)

[WASHINGTON,] June 28, 1945.

Participants: Mr. Pawley, American Ambassador to Peru
 Mr. Wells, NWC ⁴²
 Mr. Gallagher, Peruvian Minister of Foreign Affairs
 Mr. Beltran, Peruvian Ambassador
 Mr. Chavez, Commercial Counselor, Peruvian Embassy
 Messrs. Mann and Monsma, ES ⁴³

⁴⁰ The British, Canadian, and American.

⁴¹ Not printed.

⁴² Division of North and West Coast Affairs.

⁴³ Division of Economic Security Controls.

This meeting was held at the request of the Peruvians to discuss matters relating to the administration of the Proclaimed List in Peru.

Mr. Gallagher expressed some concern over the possibility that the deletion of names from the Proclaimed List would make it legally impossible for Peru to continue to block funds or to complete its nationalization program. He stated that the Peruvian controls were, in some respect, tied to the Proclaimed List and that it would be necessary to modify Peruvian law so as to make it clearly appear that the Government would continue to have authority to control the property of deleted persons. This, he said, could be arranged before publication of the July supplement to the Proclaimed List and would receive his personal attention as soon as he arrived in Lima.

It was pointed out to Mr. Gallagher that the Proclaimed List was being reduced in certain countries, including Peru, because the local controls were adequate and Axis firms have been eliminated; and that many deleted persons deserved to continue to be subjected to Peruvian controls. Mr. Gallagher agreed in principle and implied that any relaxation in Peruvian controls would be made only as to minor and unimportant offenders.

At Mr. Gallagher's request it was agreed that all the future mass deletions from the List for Peru would be cleared with the Peruvian authorities.⁴⁴

Mr. Gallagher was particularly interested in the type of press release which would be issued in connection with the July supplement and it was agreed that the Peruvian Embassy would be informed in advance of the text of any such release.

740.23112A/7-1145

*Memorandum of Conversation, by Mr. Burr C. Brundage of the
Division of North and West Coast Affairs*

[WASHINGTON,] July 11, 1945.

Participants: ES—Mr. Mann

Mr. Monsma

NWC—Mr. Brundage

Mr. Chavez, Peruvian Embassy

Mr. Mann explained at the meeting that the Department wanted the Peruvian's reaction to reducing the inordinately large number of names on the Peruvian Proclaimed List, down to a hard core. He explained that of the over 1,000 names still on the PL for Peru over

⁴⁴ In telegram 652, June 20, 1945, 10 a. m., the Chargé reported that the Superintendent of Economy (Pflucker) and the Minister of Finance (East) had cleared for deletion all names in the supplement of June 23 (740.00112A E.W./6-2045).

800 were Japanese, some of them certainly of minor consequence, and that the Department was asking the advice of the Embassy as to what names, if any, could be pared away.

Mr. Chavez was personally in complete agreement with this procedure and also stated he was sure that his Government would look with favor upon such a process if it were found to be feasible.

740.23112A/7-1145 : Telegram

The Acting Secretary of State to the Chargé in Peru (Trueblood)

WASHINGTON, July 11, 1945—2 p. m.

670. Committee plans reduce PL for Brazil, Chile and Peru to hard core in July 27 supplement. Brazilian and Chilean lists will comprise and Mexico list already comprises total of 400 to 500 names each, including Jap names. If possible without injury to prestige of List or replacement program, Dept desires to accord similar treatment to Peru, particularly since press release will indicate July deletions made on basis of progress in eliminating spearheads.

Working from residual list attached Urdes 1976, Nov 18⁴⁵ subcommittee has approved hard core list of non-Jap names for Peru which is being airmailed to you and London for clearance. Upon receipt of this list cable your views.

If you concur Dept believes it desirable reduce total of 800 Jap names by deleting minor and insignificant offenders. Cable urgently Jap names which can now safely be deleted.

Gallagher and Peruvian Emb have been informed of foregoing. All names to be deleted should be cleared with Peruvians and Brit.

Gallagher stated he would immediately amend Peruvian law to divorce it from PL so that local replacement program could proceed indefinitely without major policy change. Has this been done? Important that Peruvians do not misinterpret reduction of List as loss of interest on our part in replacement program.

Urgency of this matter will be appreciated in view of necessity of clearance of all names with London.

GREW

740.23112A/7-1945 : Telegram

The Chargé in Peru (Trueblood) to the Secretary of State

LIMA, July 19, 1945—noon.

[Received 5:36 p. m.]

756. Re your telegram 670, July 11. Local tripartite committee, chiefs American, British, Canadian Mission, FBI, Naval Attaché,

⁴⁵ Not printed.

Military Attaché, Chinese Ambassador and Minister Gallagher consider it inadvisable delete any Japanese names⁴⁶ owing inability determine who if any are minor offenders and also because it is believed psychologically unsound to delete when pronounced anti-Japanese feeling exists among Peruvian public. Chinese Ambassador and leaders Chinese colony strongly feel greatest offenders are the least known.

Consequently recommend proposal delete Japanese names July supplement be suspended and that due credit be given Peru by mentioning comprehensive replacement liquidation program has been achieved but that names have not been deleted owing precautionary measures considered convenient in special circumstances prevailing here.

If this recommendation unacceptable under Dept's policy inform Embassy urgently so list (which would have to be largely on basis of guess work) may be cabled.

Finance Minister, as in past, prefers make no recommendation for or against deletion but stated decision United States will be supported accordance Rio Convention.⁴⁷

Decree dated June 22 holds all frozen funds in that condition regardless deletions until the Congress decides to the contrary in every individual case.

Hardcore list (re your telegram 670) received today will receive prompt attention.

TRUEBLOOD

740.23112A/7-2845: Telegram

The Acting Secretary of State to the Ambassador in Peru (Pawley)

WASHINGTON, July 28, 1945.

747. Proclaimed List press release for publication after 9 PM, July 28, will include:

"The names of a considerable [number?] of persons and enterprises in Chile and Peru have been deleted in the current supplement. These deletions are possible because of the effective action taken by the Chilean and Peruvian Govts to eliminate Axis enterprises and because the laws of these countries are deemed adequate to control deleted persons whose activities still require supervision. With some exceptions, the deletions in these countries do not indicate that continued control by the Chilean and Peruvian Govts is unnecessary; on the contrary it means that the laws of these two countries are deemed to be adequate to control the activities and assets of undesirable persons which have been deleted."

GREW

⁴⁶ Department's telegram 721, July 21, 1945, 3 p. m., indicated concurrence in this opinion (740.23112A/7-1945).

⁴⁷ See recommendation 5 of the Report on the Third Meeting of the Ministers of Foreign Affairs of the American Republics, Department of State *Bulletin*, February 7, 1942, p. 124

462.00R/11-1545

*Memorandum of Conversation, by the Assistant Chief of the Division
of North and West Coast Affairs (Wells)*

[WASHINGTON,] November 15, 1945.

Participants: Señor Adhemar Montagne, First Secretary of Peruvian Embassy
Señor Fernando Schwalb, Second Secretary of Peruvian Embassy
Mr. Milton K. Wells—NWC

Messrs. Montagne and Schwalb called to follow up the visit made yesterday by the Peruvian Minister-Counselor ⁴⁸ for information concerning the reparations meeting now being held at Paris. The Peruvian Foreign Office had requested the Embassy to ascertain the Department's attitude in respect to the participation (or nonparticipation) in this meeting of the other American republics.

I explained the situation to them essentially as set forth in the Department's circular telegrams of August 28, 9AM and October 29, 9AM.⁴⁹ With reference to the reparations meeting, the other American republics were not invited because it was felt that the disposition of German assets in this hemisphere should be considered as an inter-American problem under the terms of Resolutions XVIII and XIX of the Mexico City Conference;⁵⁰ and that one reason for suggesting this procedure was the fact that the German assets in the Western Hemisphere would in all probability be in excess of the claims, the contrary of which would be true in Europe.

It was further explained that this Government proposed to bring up the matter at the meeting of the Inter-American Economic and Social Council ⁵¹ which was inaugurated today. I outlined in some detail the five points covered in the Department's circular of October 29 as forming the basis of our line of thought: (1) each American republic should satisfy its legitimate war claims against Germany out of German assets within its jurisdiction; (2) German assets in excess of these claims should be distributed among the war devastated United Nations; (3) this policy should operate to defend the other American republics from claims of German and of German nationals arising out of action taken in this hemisphere against Axis interests, and that former German owners must look to the German Government for damages arising out of such actions; (4) that the terms "German assets" and "legitimate war claims" would have to be defined clearly; (5) and that looted properties should be restored to former owners.

⁴⁸ Guillermo Fernandez Davila.

⁴⁹ Neither printed.

⁵⁰ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace*, pp. 55-59.

⁵¹ For documentation on this Council, see pp. 1 ff.

Attention was called to the recent Allied Control Council order vesting German external assets abroad.⁵² It was pointed out that while this order has a definite bearing on the situation, it did not change the basic ideas outlined in the five points, and that the Department is presently consulting with the Allied Control Council regarding a solution of the question of the disposition of Axis assets in the Western Hemisphere.

DISCUSSIONS OF THE PERUVIAN FOREIGN DEBT AND PAYMENTS ON LEND LEASE

[For previous documentation on the foreign debt problem and Lend-Lease, see *Foreign Relations*, 1944, volume VII, pages 1568 ff. and pages 1504 ff., respectively. Documentation for 1945 is filed in the Department under 800.24, 823.24, and 823.51.]

CONTINUATION BY THE UNITED STATES OF THE PROGRAM TO PROCURE STRATEGIC MATERIALS FROM PERU⁵³

811.20 Defense (M) Peru/2-245

*Memorandum by the Minerals Attaché in Peru (Vanderburg) to the Ambassador in Peru (White)*⁵⁴

LIMA, February 1, 1945.

Reference is made to the memorandum dated January 26, 1945 from the Peruvian Ministry of Foreign Relations to this Embassy requesting the Department to hold in abeyance the recent revisions made by the U. S. Commercial Company in the Over-All Metals and Minerals Agreement on December 6, 1944⁵⁵ with respect to the quantities of copper, lead, and zinc ores and concentrates it agrees to purchase and the decreased price for zinc contained in concentrates.

The arguments advanced in the memorandum for the continuance of mineral purchases as originally specified in the Agreement may be summarized as follows:

- 1—Mutual advantages to the United States and Perú through the sale-purchase of prime materials in accordance with existing contracts.
- 2—Unemployment and lower standard of living for the working classes that would result from decreased purchases.

⁵² For documentation on United States participation in the Allied Control Council, see index entries in vol. III.

⁵³ Continued from *Foreign Relations*, 1944, vol. VII, pp. 1518-1533.

⁵⁴ Addressed also to the Counselor for Economic Affairs (Greenup); copy transmitted to the Department by the Ambassador in Peru in his despatch 2553, February 2, received February 12.

⁵⁵ For documentation on the agreement of 1943, of which this was an extension and revision, see *Foreign Relations*, 1943, vol. VI, pp. 735 ff.

3—Loss to Peruvian mining companies which have not yet had time to amortize large sums of money invested to increase production of minerals for the war program.

4—Economic and social stability of the country will be affected by decreased mineral purchases.

Comment on the foregoing arguments follows:

1—According to information available here at the present time we have reached a position of adequate supply in virtually all the metals produced in quantity in Perú with the exception of lead, and it is difficult to see what economic advantage would accrue to the United States through purchases by the U. S. Commercial Company of minerals not essential to the war program. Our domestic mineral producers are concerned over the disposal of huge surpluses of metals which will have accumulated at the end of the war in stockpiles, battle-field and demolition scrap and further purchases of metals not required for the war program will only increase our problem. Furthermore this step would be out of line with the declared policy of our Government to divert international trade back into private channels as rapidly as conditions permit.

2—For the last four years there has been a chronic labor shortage in the mining industry due largely to the construction of roads, irrigation works, port projects, hydroelectric installations, etc., by the Government, and a greatly expanded program of building construction in Lima; most of this activity having no relation to the successful prosecution of the war. Only a fractional part of this construction has been in low cost housing or directly related to raising the living standard of the low income classes. When the procurement agencies were concerned about increasing the production of Peruvian minerals during the first months of our entry into the war no effort was put forth by the Peruvian Government to correct the labor shortage, and the Government's participation in the war effort has been restricted largely to rhetorical gestures.

3—The statement that large sums of money have been invested by Peruvian mining companies to increase the production of minerals for the war program is wide of the mark and not borne out by the facts. An analysis of the investments made by mining companies in Perú shows the following approximate amounts which have not yet been amortized:

Compañía Minera Santa Elena	\$100,000
Volcan Mines Company (at end of contract)	60,000
Perú Molibdeno S. A. (at end of contract)	20,000
Compañía Minera Atacocha, S.A.	15,000
San Antonio de Esquilache Mines, Ltd.	40,000
Minas de Cercapuquio, S.A.	7,000
Sociedad Minera Yauli	5,000
Total	\$247,000

Out of the foregoing total the first three companies were granted loans by the Metals Reserve Company of which about \$180,000 still remains to be amortized. The remainder, or \$67,000 invested by Peruvian firms, does not indicate any great effort to produce minerals for the war program. It seems pertinent to refer here to the fact that Peruvian gold mines have enjoyed uninterrupted prosperity during the war while the gold mines in the United States were forced to cease operations by Government edict. In connection with the Peruvian production of minerals during the present war reference is made to Embassy Report No. 503, "Statistical Summary of Production and Exports of Mineral Products, Perú, 1934-1943," dated November 16, 1944.⁵⁶

4—The rehabilitation of international trade on a sound and enduring basis is one of the major problems of the world at the present time and in this readjustment the repercussions in Perú with its well balanced internal economy, the prosperity it has enjoyed during the war years, the comparatively light tax burden placed on its nationals for meeting the cost of the war, places the Republic in a more favorable position than most of the other countries of the world. At this juncture we are reminded that impending social and economic repercussions were predicted by the Government when the U.S. Commercial Company made cutbacks in antimony, tungsten, and molybdenum purchases, but to date these threatened catastrophes have not materialized. Most of the producers of these metals are still in business and disposing of their products in private markets. It is far better for Perú to seek markets for its minerals through private marketing channels at this time in order to cushion the effect of an abrupt transition, rather than to lean upon an economic crutch such as would be the case if we complied with the request that the U. S. Commercial Company continue to purchase minerals or other products which we do not need. To underwrite the economy of Perú and other Latin American countries is beyond even the financial capabilities of even an over-generous Uncle Sam.

In view of the tremendous debt facing the American taxpayer to defray the cost of the war—the end of which is not yet in sight—it is my opinion that the Peruvian Government is "off the beam" in requesting the United States Government to continue purchases of Peruvian minerals which we do not require for the war program.

⁵⁶ Not printed.

102.8951 : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, April 19, 1945.

387. For Rubber Development Losa⁵⁷ from Truslow.⁵⁸ RDC rubber agreement with Peru terminates December 31, 1946.⁵⁹ The price premium agreement terminates March 31, 1946.⁶⁰

[Here follow paragraphs the same, *mutatis mutandis*, as in telegram 1000 of the same date to Rio de Janeiro, printed on page 704.]

A similar proposal is being presented to each other American country participating in rubber program.

[Truslow]
STETTINIUS

102.8951 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, April 24, 1945—6 p. m.

[Received April 25—12:41 p. m.]

410. Losa requests following be sent Truslow, RDC:

“Reurtel 387, April 19, discussions with Peruvian Government re extension agreements held in abeyance pending Embassy clarification of phrase in your instructions to me reading ‘such proposals should be made unconditionally, that is to say, no attempt should be made to obtain settlement of any pending or other matters as a condition to such extensions. Likewise, you are not authorized to accept changes in these agreements as a condition to Peru’s acceptance of such extensions.’[”]

Other passages telegram 387 and Department’s circular telegram April 19, noon,⁶¹ indicate certain responsibilities of Embassy in this matter. See also circular airgram March 30, 9:25 a. m.,⁶² all of which is important in the light of possible future congressional investigation.

⁵⁷ Otto Losa, Special representative of the Rubber Development Corporation.

⁵⁸ Francis A. Truslow, President, Rubber Development Corporation.

⁵⁹ Agreement signed April 23, 1942, not printed; for negotiations, see *Foreign Relations*, 1942, vol. vi, pp. 665–670.

⁶⁰ The agreement between the Rubber Development Corporation and the Peruvian Amazon Corporation (not printed) was made by an exchange of letters dated February 16 and 25, 1944, and extended by a similar exchange of August 25 and 29, 1944. It effected a 33⅓% price increase.

⁶¹ Not printed; the Department expressed concurrence in the policy of extending the rubber agreements and instructed Embassy officers to effect formal ratification by exchanges of notes (800.6176/4–1945).

⁶² Not printed; it quoted the text of a letter sent by the President to 16 departments and agencies regarding centralization of responsibilities for economic activities abroad in an economic counselor or minister in the mission (121.53/3–3045).

While Embassy naturally cannot judge RDC renewal instruction in light of general worldwide rubber situation, so far as Peru is concerned, I consider such a handout of psychology [*sic*], justifying Peru's fiscal delinquencies and undermining efforts to conduct over-all economic relations in practical manner.

The FEA representative⁶³ feels that in accordance with resolution 21 of Mexico City Conference,⁶⁴ negotiations for cancellation of flax agreement would be materially helped if rubber and retenone extension agreements are handled by Embassy as correlative part of our responsibility under economic program.

As regards rubber agreement itself, this appears to require that all of \$1,200,000 development fund be spent or left in Peru. With only \$200,000 spent to date and total needed not likely to exceed \$400,000 why should American taxpayers be charged with the balance? Should not also Peruvian Government repay million-odd soles contributed for purchase Maximo Rodriguez land in Madre de Dios, and/or take over any bad loans? Is there not a difference of opinion as to the number of airports to be built, which calls for solution? Doubtless detailed study of contract might raise other points for adjustment. In view of telegram No. 387, Losa does not consider himself authorized to give me his views on these matters.

WHITE

800.6176/4-3045 : Telegram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, April 30, 1945—8 p. m.

423. There is a thorough appreciation here of the Embassy's feelings, as expressed in its 410 of April 24, regarding the desirability of coordinating the economic programs of this Government as they may affect Peru. It is, however, believed that the instructions contained in Department's 387, April 19 and circular telegram of April 19 noon,⁶⁵ can only fairly be judged in the light of the world rubber situation as well as the Peruvian and other agreement country situations. When it is considered that there is a framework of rubber agreements, at least bordering on the reciprocal most favored nation type, which it is essential to retain intact, and that each country has other agreement problems and open questions, the extreme difficulty of attempting to do more than simultaneously extend the rubber agreements in their present form will be apparent.

⁶³ Claude Courand, special representative of the Foreign Economic Administration in Lima.

⁶⁴ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace* (Washington, 1945), p. 61.

⁶⁵ See footnote 61, p. 1336.

The summary of the Rubber Study Group proceedings, recently forwarded to the Embassy, clearly indicates that the shortage of natural rubber is expected to continue for at least two years after the liberation of rubber producing areas in the Far East. Within the past month the War Production Board has determined that it will be essential to procure from Western Hemisphere sources during 1946 as much or more rubber than will be obtained during 1945. The Directors of RDC, including a Department representative, considered the matter at some length and decided that to carry out such determination it was essential to seek immediate extension in unchanged form of all the existing Western Hemisphere agreements.

It is believed here that the Rodriguez matter stands as set forth in Department's 618, May 28, 1943 ⁶⁶ under an agreement whereby the unamortized balance, if any, of the loan by RDC would be chargeable to the development fund.

The Department and RDC are aware of the possibility of a difference of opinion between the Peruvian and American authorities on the matter of the disposition of whatever funds remain in the development fund at the expiration of the rubber agreement. It is not considered advisable, however, to assume the initiative at this time in opening this matter for discussion. Such initiative might lead to the unfortunate inference by the Peruvians that the American authorities, in an endeavor to spend less than the stated commitment, may not be prepared to examine on their merits and approve projects for the development of wild rubber production.

It is felt also, that the aviation program question might better be discussed without reference to the extension of the rubber agreement. While the airport question is connected with rubber, it appears that its solution will depend in large measure on a further examination of what transpired at the Rio de Janeiro Conference.⁶⁷

There also appear to be a number of questions on which the Peruvian authorities would seek more favorable terms if alterations in the rubber agreement, other than postponing its expiration date, were discussed. Outstanding among these are probably the matter of the tonnages to which the volume premiums apply and the production tonnage withheld for Peru's consumption.

Since rubber program is so vital, it is believed that the offer to extend the agreement is more properly to be considered the opposite of a "hand-out" and should not be jeopardized by its use in connection

⁶⁶ Not printed.

⁶⁷ For documentation on the Third Meeting of the Foreign Ministers of the American Republics, Rio de Janeiro, January 1942, see *Foreign Relations*, 1942, vol. v, pp. 6 ff. For text of the recommendations of the Conference, see Department of State *Bulletin*, February 7, 1942, pp. 117 ff.

with negotiations for termination of the flax agreement or other matters which the Embassy and other United States agencies are seeking.

While the Department's 387 was designed to limit Losa's authority in connection with the offer to be made to Peruvian officials, there was no intention to limit his freedom to discuss all problems fully with the Embassy even should he disagree with the policies or instructions of his Washington office.

The foregoing represents the thoughts of the Department and RDC after full consultation. It is therefore requested that the Embassy and Losa proceed in accordance with Department's 387 and the circular telegram unless further serious objections not covered by this telegram are perceived. It would appear particularly desirable to make the offer as soon as possible lest Peruvian authorities learn first from other sources that RDC is making these offers generally and thereby mistakenly conclude that Peru is not to be offered an extension. The Rio de Janeiro discussions are virtually completed and wide publicity is contemplated in Brazil.⁶⁸

GREW

102.8951 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, May 11, 1945—8 p. m.

[Received May 12—1:20 a. m.]

485. Truslow RDC from Losa. Reurtels 387, April 19, and 423, April 30, 8 p. m. Have concluded an exchange of letters with Ministerio de Hacienda regarding extension of the rubber and price bonus agreements to June 30, 1947. Their reply expresses complete agreement to these extensions in principle and under the same present terms and further indicate their readiness to formalize these extensions with official exchange of notes through American Embassy. This offer to extend agreements to June 30, 1947, greatly appreciated by both Minister East and Peruvian Amazon Corporation directors. Am confident that effective publicity will be given this news with resultant gratifying results in the form of increased rubber production for the remainder of the program.⁶⁹ [Losa.]

WHITE

⁶⁸ For documentation on the extension of the rubber agreements with Brazil, see pp. 701 ff.

⁶⁹ The notes exchanged were dated May 15 and 18, 1945, not printed.

811.20 Defense (M) Peru/7-2445

The Acting Secretary of State to the Ambassador in Peru (Pawley)

No. 25

WASHINGTON, August 7, 1945.

SIR: There is enclosed a draft of a suggested note⁷⁰ for transmission to the Minister of Foreign Affairs⁷¹ discussing the future plans of the United States Government concerning the purchases of ores and concentrates of lead, zinc, and copper in Peru.

The Foreign Economic Administration has informed the Department that supply-requirement estimates indicate some further revision will be necessary for purchases of metals and minerals in foreign countries, including Peru, during the fourth quarter of this year. To insure future flexibility for orderly curtailment in purchases by the United States Government, FEA has suggested that an appropriate note be sent to the Peruvian Government. The note is also in compliance with the Overall Metals and Minerals Agreement as revised August 28, 1944, which provides for three months' notice for revision of the quantity of any metal or mineral covered by the Agreement.

The Department is advised by FEA that no immediate reduction in purchases of lead is contemplated and, since some zinc concentrates must be purchased to secure lead, zinc purchases may not necessarily be limited to the quantity stipulated in the suggested note.

For the information of the Embassy, FEA is sharply curtailing its procurement of copper from all foreign sources in the fourth quarter, particularly its purchases of copper ores and concentrates. Maximum future flexibility to curtail purchases of these materials is desirable since processing to refined copper is not completed until several months after their delivery.

Very truly yours,

For the Acting Secretary of State:
NELSON A. ROCKEFELLER

811.20 Defense (M) Peru/9-1445: Telegram

The Ambassador in Peru (Pawley) to the Secretary of State

LIMA, September 14, 1945.

[Received 3:45 p. m.]

951. Reurtel 871, 12th.⁷² Suggested note to Peruvian Government was delivered personally by me on August 20 to Ministry for Foreign

⁷⁰ Not printed; the draft note provided for a limitation on the purchase of lead ores and concentrates to 10,000 metric tons per year, of zinc sulphide ores and concentrates to 25,000 metric tons per year, and none of copper ores and concentrates.

⁷¹ Javier Correa Elias.

⁷² Not printed; it referred to draft note enclosed with instruction 25, August 7, *supra*.

Affairs which to date has not acknowledged same. Since note simply gave notice it is possible no reply will be received.

PAWLEY

811.20 Defense (M) Peru/9-2445

The Acting Secretary of State to the Ambassador in Peru (Pawley)

No. 89

WASHINGTON, October 5, 1945.

SIR: There is enclosed a draft of a suggested note ⁷³ for transmission to the Minister of Foreign Affairs concerning the future plans of the United States Government for purchases of lead and zinc in Peru.

The Foreign Economic Administration has suggested that the Overall Metals and Minerals Agreement be further revised to eliminate this Government's obligation to purchase zinc ores and concentrates in the final three months of the Agreement. It is also suggested that the Peruvian Government be advised of the intention of the U.S. Commercial Company to terminate the Overall Metals and Minerals Agreement effective six months from the date of notice, as provided for in the Agreement as revised, August 25, 1944.

The Embassy will note that no change is being made with respect to the stipulated quantity of lead ores and concentrates to be purchased in the final three months of the Agreement.

Very truly yours,

For the Acting Secretary of State:
WILLIAM L. CLAYTON

103.9151/11-845: Telegram

The Chargé in Peru (Trueblood) to the Secretary of State

LIMA, November 8, 1945.

[Received 9:42 p. m.]

1126. Rubber Development Agency here is involved in various judicial proceedings whereunder individuals are presenting claims. In absence of provisions in basic agreements bearing on legal responsibility of agency, he [it] has requested Embassy to address Foreign Office pointing out that organization is agency of United States Government, that neither he [it] nor any officer in it is empowered to participate in judicial proceedings in Peruvian courts, and recommending that Peruvian Government arrange to handle these proceedings with any valid claims resulting therefrom to be presented for discussion on diplomatic level since contempt proceedings already initiated against agency for failure to appear in Iquitos courts. The Department's prompt instructions would be greatly appreciated.

TRUEBLOOD

⁷³ Not printed.

103.9151/11-845 : Telegram

The Secretary of State to the Chargé in Peru (Trueblood)

WASHINGTON, November 10, 1945—1 p. m.

1012. Your 1126 November 8. Endeavor to persuade Foreign Minister to have suits against Rubber Development Corporation suspended pending efforts to effect reasonable direct settlements. Further instructions will follow.

BYRNES

103.9151/11-845 : Telegram

The Secretary of State to the Chargé in Peru (Trueblood)

WASHINGTON, December 4, 1945—7 p. m.

1054. Discuss orally with Foreign Minister R.D.C. cases referred to in Dept's 1012, Nov 10. With reference to suit relating to taking of sand, say Dept is informed that there was an understanding between R.D.C. and Peruvian Foreign Office that former would be free to take sand from the lands in question.

As to suits of employees, R.D.C. assures Dept that it is willing to pay such amount in each case as Peruvian Labor Office considers due, and that compensation paid or offered to employees was in accordance with determination made by Labor Office.

Endeavor to have cases disposed of in accordance with above understandings and suits withdrawn. Unless this is done it may be necessary to assert sovereign immunity.

BYRNES

103.9151 : Telegram

The Chargé in Peru (Trueblood) to the Secretary of State

LIMA, December 28, 1945.

[Received December 28—7:02 p. m.]

1307. Corson ⁷⁴ RDC [from] Losa. Value equipment supplies property plant and equipment available for sale to PAC ⁷⁵ totals 571,000 soles. PAC agreeable to purchase same at following payment terms, 171,000 soles cash upon immediate delivery, balance in four equal 60-day installments of 100,000 soles each covered by notes. Thus permitting collection total value maximum 8 months. Sale equipment supplies includes 3 million tapping cups for which no ready market due present heavy PAC stocks. Consider sale terms equitable and our

⁷⁴ H. G. Corson, Vice President, Rubber Development Corporation.

⁷⁵ Peruvian Amazon Corporation.

best interests. Recommend immediate authorization conclude sale these terms.⁷⁶ [Losa.]

TRUEBLOOD

DISCUSSIONS BETWEEN THE UNITED STATES AND PERU REGARDING
TRADE CONTROLS⁷⁷

823.61331/1-1345 : Airgram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, January 13, 1945.

A-27. Embassy's despatches 2002 of November 22 and 2042 of November 28, 1944.⁷⁸ It would be appreciated if the Embassy would report on the outcome of further conversations which it may have had with the Peruvian authorities regarding the proposed 2% ad valorem import tax and the 10-centavos tax on imported tobacco products.

It is noted that Finance Minister East gave assurance that the new import tax would not conflict with international agreements but that he made no commitment with regard to the tax on tobacco products which is higher in the case of imported products than in the case of domestic products. As the Embassy is aware, these two provisions are in conflict with Articles VII and II, respectively, of the trade agreement between the United States and Peru.⁷⁹

The Embassy is also requested to let the Department know whether or not the new tax measure has become effective and whether or not it has been modified in any respect. If the law has been promulgated, the Embassy should so report as soon as possible in order that publication of it may be made by the Department of Commerce.

The Embassy may, in addition, have something to report regarding the subject of the Peruvian excise taxes on tobacco products referred to in Department's instruction no. 3741 of December 15, 1944.⁸⁰

GREW

⁷⁶ According to a monthly report transmitted in despatch 954, February 4, 1946 (neither printed), an agreement was concluded in December by which the Corporation sold to PAC supplies, equipment, and other properties in Lima, Iquitos, Pucallpa, and Puerto Maldonado (103.9151/2-446).

⁷⁷ Continued from *Foreign Relations*, 1944, vol. VII, pp. 1534-1552.

⁷⁸ Neither printed; these communications contained information on pending tax legislation that might adversely affect oil companies and on the contention of the Peruvian Government that no contravention of the trade agreement between the countries was intended (823.512/11-2244 and /11-2844).

⁷⁹ Department of State Executive Agreement Series No. 256; 56 Stat. (pt. 2) 1509.

⁸⁰ Not printed; the Department indicated that the taxes in question were discriminatory (823.61331/10-2344).

823.51/1-2445 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, January 24, 1945—7 p. m.

[Received 10:20 p. m.]

83. The more favorable exchange situation described in despatch 2283 of January 2,⁸² seems to have deteriorated suddenly despite assurances to the contrary up to a few days ago. Central Reserve Bank reports a decline in foreign exchange holdings to slightly less than 12 million United States dollars. This development has strengthened the position of a group advocating controls, as a result of which comprehensive import and exchange control measures were made effective this morning. Permits approved in advance are required for all imports. It is stated that all applications for essential commerce, industry and financial services will be granted but that those for luxury, unnecessary and excessive imports will be curtailed or denied.

All exporters are required to turn over the total foreign exchange proceeds of exports to the Central Reserve Bank and no export permit will be granted unless proof or assurance of such delivery of foreign exchange to the Central Reserve Bank is given. Finance Minister stated no exceptions will be made for Cerro de Pasco International Petroleum and other companies operating with foreign capital, although their needs of foreign exchange will be amply cared for.

It is stated that these import and exchange control measures are definite and not subject to immediate withdrawal. Despatch follows.⁸³

WHITE

623.113/1-2645

The Ambassador in Peru (White) to the Secretary of State

[Extract]

No. 2491

LIMA, January 26, 1945.

[Received February 7(?).]

Subject: Representations to the Foreign Office as to Tax Discriminations on American Import Merchandise.

SIR: I have the honor to refer to Embassy Airgram No. 38 of January 18, 1945, 2:30 p. m.⁸² in response to the Department's Airgram

No. A-27 of January 3 [13]), 1945, and, in connection therewith, to enclose a copy of the formal note dated January 22, 1945,⁸² sent to the Minister of Foreign Affairs,⁸⁴ in which violations of Articles II and

⁸² Not printed.⁸³ Despatch 2482, January 26, not printed.⁸⁴ Manuel C. Gallagher.

VII of the Peruvian-American Reciprocal Trade Agreement are discussed in connection with certain taxes on American import merchandise. As soon as a response is received from the Minister of Foreign Affairs to my request that I be advised what steps the Peruvian Government can take toward adjusting the differences discussed to the provisions of the Trade Agreement, a prompt report will be duly forwarded to the Department.

In making these representations, I considered that inasmuch as informal discussions had failed to achieve useful results, it was desirable to include in a formal communication a complete statement of instances involving violations of the provisions of the Trade Agreement on the ground suggested in the Department's Airgram No. A-29 of January 17, 1945⁸⁵ that acquiescence in the continuation of minor violations, such as the port taxes at Salaverry and Pisco, might only encourage the continuance of the greater violations. For this reason, mention was made in my note of the additional port charge of \$1.00 per 1000 board feet imposed on lumber, a minor instance contrary to the provisions of Article VII, as mentioned in Embassy Report No. 23 of January 18, 1945,⁸⁵ entitled, "Payment of Port Charges on the Importation of Wheat, Coal and Lumber at Peruvian Ports Other Than Callao". Inclusion of the discriminatory excise tax on tobacco products was based upon the Department's Air Mail Instruction No. 3741 of December 15, 1944,⁸⁵ File 823.61331/10-2344.

As a reassurance to the Department that in other respects American imports receive the benefits to which they are entitled by virtue of Schedule I attached to the Trade Agreement and under the Most-Favored-Nation clause, attention is invited to the special tables presented on pages XXXV-XLI of the *Anuario del Comercio Exterior del Peru*, 1943, in which the uncollected duties applicable to merchandise entitled to preferential treatment in accordance with Peruvian Trade Agreements with Brazil, Chile (including the *Modus Vivendi* relating to the Tacna Customshouse), the United States, Great Britain and Colombia are listed. . . .

Respectfully yours,

J. C. WHITE

823.51/1-2445 : Airgram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, February 17, 1945.

A-99. Reference Embassy's confidential telegram no. 83 of January 24, 1945. The Department has been investigating informally

⁸⁵ Not printed.

and confidentially through Federal Reserve Bank of New York, the dollar position of Peru in an endeavor to ascertain the reasons which impelled the Government to establish exchange control. At present Department's data are preliminary and indicative of a trend rather than definitive and conclusive as to the actual movements. Briefly, the Department finds that over the last year there has been a weakening in the dollar exchange position of the Peruvian Central Bank and a decided strengthening in the dollar position of the Peruvian commercial banks and/or Peruvian individual accounts. Present data indicate possible decline of 5 million dollars in Central Bank position and substantial increase (possibly 10 million dollars or more) in commercial bank and/or private accounts. Data presently available do not break down the commercial bank-private dollar accounts, but the Department believes the bulk of the increase is in accounts of Peruvian individuals and firms, this term including any accounts for which Peruvian addresses are given on books of New York banks. This view is supported by statements of New York banks to Federal Reserve Bank of New York to effect that recent exchange difficulties are attributable primarily to failure of Peruvian exporters to deliver exchange to Central Bank Most of the data on which the foregoing tentative views of the Department are based pertain to 1944 and indicate that the tendencies described became especially notable in the latter months of that year.

The Department will continue its investigation and will inform the Embassy of the results by despatch.

GREW

623.113/3-545

The Ambassador in Peru (White) to the Secretary of State

No. 2771

LIMA, March 5, 1945.

[Received March 13.]

SIR: I have the honor to refer to Embassy Despatches No. 2491 of January 26, 1945, entitled, "Representations to the Foreign Office as to Tax Discrimination on American Import Merchandise", and No. 2567 of February 5, 1945,⁸⁶ entitled, "Reply of the Foreign Office as to Tax Discrimination on American Import Merchandise", and in connection therewith to enclose copies and translations of a formal note from the Peruvian Foreign Office, No. (H)-6-3/40, of February 24, 1945, and its accompanying memorandum dated February 5, 1945,⁸⁷ from the Ministry of Finance and Commerce in reply to the Embassy's formal representations with regard to tax discriminations

⁸⁶ Despatch 2567 not printed.

⁸⁷ Enclosures not printed.

against various American products in contravention of the Peruvian-American Reciprocal Trade Agreement.

The opinion of the Ministry of Finance and Commerce, which the Ministry of Foreign Relations apparently shares, is flatly expressed to the effect that the cited legal provisions and the taxes created by them are applied in perfect harmony with the Agreement, and abide by its terms and spirit.

With respect to toilet articles, the Finance Ministry asserts that the taxes in question were applied prior to the conclusion of the Agreement, which may not be applied retroactively. A similar argument is presented with respect to the taxes imposed on tobacco products, with the additional pleas that, on an *ad valorem* basis, the *rate* of taxation on imported tobacco products is lower than for domestic products, and that tobacco products are not included among the commodities specifically exempt from new taxes as provided in Article VII. This, of course, entirely ignores the facts that the taxes for the Peruvian Santa Corporation are entirely new and give domestic products a competitive price advantage.

With respect to the port taxes at Salaverry and Pisco, the Finance Ministry refers to a report from the Superintendency of Customs dated June 23, 1943, in which it was contended that the collections made by the Customhouses at Salaverry and Pisco were in compliance with Article II of the Treaty, which permits taxation on merchandise covered by Article VII whenever it relates to an internal tax imposed on a national product. The Finance Ministry contends that inasmuch as the taxes created by Laws No. 9777 and No. 10016 are applicable to coastwise trade, they are not in conflict with the Treaty.

This argument ignores the attitude of the Department, duly reported to the Foreign Office by the Embassy, to the effect that the United States would have deferred favorable action on the Trade Agreement had it been aware of the discriminatory taxes on toilet articles.

No copy of the report of the Superintendency of Customs dated June 23, 1943, was furnished to the Embassy, and it has no record of a memorandum to the Ministry of Foreign Relations dated June 22, 1943 (apparently a typographical error which should read "June 2, 1943"), in which, as stated in the Finance Ministry's memorandum, the Peruvian "opinion . . . was officially accepted by the Department of State". The pertinent statement on this subject was made by the Embassy in an informal memorandum of June 2, 1943 (subsequent to the receipt of the Department's air mail instruction No. 2452 of May 27, 1943, File 623.116/19A),⁸⁸ reading in part as follows:

⁸⁸ Not printed.

"A recent communication from the Department of State regarding this matter expressed the view that Article IX has no application to the taxes in question; and that the application of the taxes to imports of articles in Schedule I appears to be in conflict with the provisions of Article VII of the Agreement. However, the United States Government is not disposed to invoke the provisions of the Commercial Agreement in respect to these taxes at the present time, these being relatively small as applied to exports as well as to imports.

"The above résumé of the views of the Department of State regarding the import and export taxes recently imposed at Salaverry and Puerto Chicama is accordingly brought to the attention of the Ministry of Foreign Affairs for its information and for such action as may be considered desirable in the harmonious application of the Commercial Agreement between the two nations."

Since the views of the two Governments are at such variance, it is thought that the Department may wish to indicate the nature of the reply to be made to the Peruvian Government.

Respectfully yours,

J. C. WHITE

623.006/6-1645

The Ambassador in Peru (White) to the Secretary of State

[Extract]

No. 3475

LIMA, June 16, 1945.

[Received June 23.]

SIR: Supplementing Despatch No. 3319 of May 21, 1945,⁸⁹ entitled "Peru's Trade Controls Affect Imports from United States", I have the honor to inform the Department that import as well as exchange permits have been granted with diminishing liberality during the last three weeks, owing, it is said, to a 15% decline in the Central Reserve Bank's foreign exchange reserve fund.

The classes of merchandise more acutely affected were the so-called luxury goods and other articles which the import and exchange committees decided were unnecessary or could be replaced by domestic manufacturers.

Under date of May 30, 1945, the Lima Chamber of Commerce distributed among the importing houses a memorandum explaining the norms of the system as previously reported, but reversing one of the former decisions. ". . . the Committee announces," stated the circular, "that it will not authorize the importation of any article for the simple reason that the importer declares he has the necessary foreign exchange, because if it should do so, it would imply encouragement to the foreign exchange black market. Foreign exchange in possession of the trade should be employed exclusively for the importation of merchandise of interest in the national economy, in accordance with the

⁸⁹ Not printed.

permits which the Import Committee may authorize prior to the placing of the order."

Certain officials and business men attribute this less favorable situation to accentuated hesitancy during the days prior to and after June 10, when the national elections took place, but others, and, it is believed, the majority, incline to the belief that the natural accumulative consequences of such controls are the dominant factors. These observers feel that substantial improvement will take place only after the incoming authorities achieve the monetary and administrative reforms which both parties have promised in their platforms; and that the only alternative is a rigid control system.

Respectfully yours,

For the Ambassador:

JULIAN GREENUP

Counselor for Economic Affairs

623.113/3-545

The Acting Secretary of State to the Chargé in Peru (Trueblood)

No. 4140

WASHINGTON, July 2, 1945.

The Acting Secretary of State refers to the Embassy's despatch no. 2771 of March 5, 1945 regarding several Peruvian tax laws which include provisions considered to be in contravention of certain articles of the trade agreement between the United States and Peru.

In view of the forthcoming change of Administration in Peru⁹⁰ and of the number of controversial matters that were still pending at the time the Embassy's despatch was received, the Department considered it advisable to hold in abeyance an instruction on the subject of the trade-agreement violations. However, now that the new Administration will soon take office, it is hoped that the Embassy will early find a favorable opportunity to discuss this matter with the Peruvian authorities.

The following comments are made on some of the statements in the memorandum addressed to the Peruvian Ministry of Foreign Relations by the Ministry of Finance and Commerce, a copy of which the Embassy enclosed with the despatch under reference.

The interpretation given in several places in the memorandum with regard to the non-retroactive effect of the general provisions of the trade agreement is contrary to well-established international practice and the clear intent of the trade agreement. Were the general provisions of the trade agreement which apply to customs treatment (except for the duty reductions on Schedule items) to be considered

⁹⁰ José Luis Bustamante Rivero was elected President May 10 and was inaugurated July 28, 1945.

applicable only to laws and regulations which come into effect after the date of signature of the trade agreement, the result would be to continue in effect many of the very conditions which the agreement was intended to remedy. The so-called "national treatment" article in trade agreements embodies a recognized principle, just as does the unconditional most-favored-nation provision, which is applicable, from the effective date of the agreement, to all the commerce between the two signatory countries regardless of what the practice to the contrary may have been in the past. In other words, the discriminations in the form of taxes on toilet articles and tobacco products which are higher on imports from the United States than on like national products and which were in effect at the time the trade agreement was signed, should have been removed just as any discrimination in favor of a third country was or should have been removed because of the unconditional most-favored-nation provision.

The wording of Article II clearly indicates that products imported into either country from the other shall be exempt from *all* discriminatory internal taxes, regardless of whether or not such taxes were in effect at the time the agreement was signed.

The taxes on tobacco products provided for by Peruvian Law 8433 and Law 10090 would not be considered discriminatory if the *ad valorem* equivalent of the specific taxes were identical, or practically identical, on imported and national products. However, under both laws certain national products are exempt from the tax and in the case of Law 8433, at least, the *ad valorem* equivalents of the specific tax rates on the national product and on the like product of certain third countries are substantially lower than the *ad valorem* equivalent of the rate on the United States product. The Embassy is requested to ascertain whether the *ad valorem* equivalent is identical in the case of the taxes under Law 10090, as claimed in the Ministry's memorandum.

With regard to Law 8433, the discrimination in favor of foreign countries other than the United States is, of course, a violation of the most-favored-nation provisions set forth in Article I and in the last phrase of Article II of the trade agreement. The wording of Article I clearly indicates that these provisions apply to charges of *any* kind and with respect to *all* laws or regulations in connection with importation, and to *all* laws or regulations affecting the sale, taxation or use of imported articles within the country. Furthermore, Article I clearly has retroactive effect since it expressly states that "any advantage, favor, privilege or immunity which *has been* or may hereafter be granted . . . to any article originating in or destined for any third country shall be accorded immediately and unconditionally to the like article originating in or destined for the Republic of Peru or the

United States of America, respectively". (Underlining added.)⁹²

In the case of the Peruvian port taxes, the Department has been giving this matter further study and has come to the conclusion that if these taxes are levied also on the coastwise trade, as the Ministry's memorandum claims, they are not of the kind for which exemption can be claimed under Article VII of the trade agreement as outlined in the Department's instructions nos. 2174 and 2452 of March 2 and May 27, 1943, respectively,⁹³ and a separate instruction will be sent the Embassy on this subject at a later date.

Since the Department will need further information from the Embassy with regard to port taxes and port charges, which may take time to assemble, the Embassy may wish to take up informally with the Peruvian authorities, as soon as the occasion presents itself, only the subject of the discriminations in the taxes on toilet articles and tobacco products. In that event, if the subject of port taxes is brought up, the Embassy may wish merely to say that the matter is being given further study by the Department.

It will be noted that in the foregoing paragraph it is suggested that the Embassy take up informally the matter of the discriminatory taxes. One reason for this is, of course, that the Embassy will probably be dealing with a new set of officials, and the other is that it would be well to avoid a written representation which would undoubtedly have to refer to the Embassy's note 546 of January 22, 1945⁹³ in which the port taxes were mentioned and in which there were inadvertently omitted references to the exemptions from taxation of certain toilet articles and tobacco products of domestic origin. (See Embassy's despatch no. 2491 of January 26, 1945.)

800.24/7-2445: Airgram

The Chargé in Peru (Trueblood) to the Secretary of State

LIMA, July 17, 1945.

[Received July 24—6 p. m.]

A-481. Reference Department's secret circular telegram of July 14, 1945, 2 p. m.⁹⁴ concerning the proposed liquidation of the Decentralization Plan for export control.⁹⁵

⁹² Printed in italics.

⁹³ Not printed.

⁹⁴ *Ante*, p. 545.

⁹⁵ The decentralization plan lodged considerable responsibility for war-time trade controls in the individual states, and produced a small positive list of commodities in short supply about which those countries indicated their preferences.

The Country Agency has been informed by letter of this proposal, and the verbal comments of its chief ⁹⁶ have been obtained. He stated that he would welcome the total abolition of the Decentralization Plan and the import recommendation procedure, and pointed out that the Peruvian Government has in its own Import License system a complete control over the quantities of each commodity imported into Peru from any source.

From previous remarks on the general subject of the import recommendation system, the Embassy is confident that the Peruvian Minister of Finance and Commerce (of whose Ministry the Country Agency is a part) will likewise be entirely agreeable to the liquidation of the Decentralization Plan.

The Chief of the Country Agency suggests that no public announcement of this liquidation be made until the third quarter import recommendations have been processed locally and issued to the prospective importers. This would probably involve the withholding of a public announcement until August 15. He fears that if the proposed liquidation is announced before that time, the Decentralization Plan will more or less collapse well before October 1, 1945, interrupting the regular issuance of third quarter import recommendations and thus adversely affecting FEA's ⁹⁷ administration of the quotas involved. The Embassy concurs in his suggestion.

The Embassy agrees that it would be desirable to liquidate the Decentralization Plan in the near future, and concurs in the proposal that this be effected as of October 1, 1945. Since the Embassy is not sure, from the wording of the Department's circular telegram of July 14, 2 p. m., whether it is only *proposed* to liquidate the Plan or whether it has been definitely decided to do so, the Embassy requests that it be instructed as to whether or not it may inform the Peruvian Government, by formal note, that the liquidation will definitely become effective on October 1. ⁹⁸

TRUEBLOOD

623.116/9-2045

The Acting Secretary of State to the Peruvian Ambassador (Beltrán)

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of Peru and has the honor to bring to his attention a matter which has for several months been of considerable concern to the United States Government.

⁹⁶ The Superintendent of Imports, Wilfredo Pflucker.

⁹⁷ Foreign Economic Administration.

⁹⁸ Ambassador Pawley reported in telegram 709, July 31, 4 p. m., that the proposed liquidation of the Decentralization Plan was approved by the Country Agency, the Embassy, and the representatives of the Foreign Economic Administration (800.24/7-1345).

As His Excellency is aware, the Peruvian Government in January of this year felt it necessary to institute import and exchange control regulations. This decision was observed with regret by the United States Government not only because Peru had hitherto served as an outstanding and inspiring example to other nations of the world of a country which had kept its foreign trade free of controls but also because these controls were instituted at a time when many other countries, including the United States, were relaxing their wartime trade restrictions and were planning to make every effort to end the remaining wartime controls at the earliest possible moment in the interest of the world trade expansion which is so necessary to the prosperity and peace of the world.

At the time the Peruvian system of import and exchange control was instituted, it was announced that the import permits were required in order to impede the entry into the country of de luxe articles, unnecessary articles, or articles which exceed the necessities of consumption. However, American exporters have complained that, in the operation of this import control, licenses for necessities such as pharmaceuticals have been refused while licenses for some luxuries have been granted. In addition, it has been reported by United States exporters that there has been discrimination in favor of Peruvian importing firms as compared with American and other foreign importing firms, and that licenses have been denied for the importation of products, not on the basis of a scarcity of exchange but because of competition with Peruvian products. It is understood also that imports have been impeded by delays in the granting of import licenses; import licenses have been denied without explanation of the reason therefor, and no lists of luxury or unnecessary goods have ever been published. Importers have therefore never known in advance whether or not their application for import licenses would be rejected, which has added to the expense of importers in placing orders abroad.

In addition to regretting the restrictive effect of such controls on the trade of the United States and other countries at a time when it would seem more appropriate for measures to be taken looking toward an expansion of world trade, the United States Government believes that the import restrictions should be considered by the Peruvian Government in the light of the pertinent provisions of the trade agreement between the United States and Peru.

Since the United States Government has accepted the proposal of the Peruvian Government that preliminary and confidential discussions regarding a new or revised trade agreement be undertaken soon, the question of the Peruvian exchange and import controls is of especial interest at this time, and it is hoped that the system of controls

may be considerably relaxed and that the import control, as distinguished from exchange control, may be removed before such discussions reach the end of the preliminary stage. The subject of exchange control will also necessarily have to be considered during the preliminary discussions.

Since it is understood that His Excellency's Government is now giving consideration to revising its system of import control, the Acting Secretary of State would appreciate it if His Excellency would convey to his Government the sentiments set forth above.

WASHINGTON, September 20, 1945.

611.2331/9-2545

The Acting Secretary of State to the Ambassador in Peru (Pawley)

No. 80

WASHINGTON, September 25, 1945.

The Acting Secretary of State refers to the Department's instruction no. 21 of August 7, 1945⁹⁹ regarding the possibilities of initiating preliminary and informal discussions looking toward the negotiation of a new trade agreement between the United States and Peru.

On September 12 a memorandum⁹⁹ was handed to the Peruvian Ambassador which stated that the United States Government would be glad to undertake such discussions at a mutually agreeable time, that studies are being undertaken by this Government preparatory to such discussions, and that the Department would be happy to receive any proposals which the Peruvian Embassy might be prepared to make for use in these discussions.

A Country Committee on Peru has been constituted, including members from the Departments of State, Commerce, Agriculture, and Treasury, and the Tariff Commission, and the Committee will hold its first meeting on September 27 to consider pertinent information of a preliminary nature and to plan the groundwork for the discussions.

The Peruvian Ambassador left for Lima on September 21 and expects to return to Washington around October 6 with proposals from the Peruvian Government. Conversations may begin a week or two thereafter.

The Embassy will be kept informed of developments and will no doubt be called upon to furnish information of various kinds as the work and discussions progress.

In the meantime, the Embassy is invited to make any comments and to furnish any information it considers would be helpful to the Department and the Country Committee.

⁹⁹ Not printed.

The Embassy is also urged to reply as soon as possible to the Department's instruction no. 22 of August 7¹ regarding the subject of port taxes and port charges, as well as to report what progress is being made in its discussions with the Peruvian authorities regarding the subject of the Peruvian internal taxes referred to in the Department's instruction no. 4140 of July 2.

It would be appreciated, in addition, if the Embassy would keep the Department currently informed of developments in the matter of the proposed revision of Peru's exchange, export and import control and would make fairly frequent reports on the operation of these controls.

611.2331/10-1845

The Ambassador in Peru (Pawley) to the Secretary of State

[Extracts]

No. 425

LIMA, October 18, 1945.

[Received November 8.]

SIR: Replying to the Department's confidential instruction No. 80 of September 25, 1945, I have the honor to forward the following observations regarding the proposed negotiation of a new trade agreement between the United States and Peru.

The data regarding port taxes and charges requested in the Department's instruction No. 22 of August 7, 1945,¹ are nearing completion and will be forwarded during the coming week. [P.S.: This report now completed is No. 256 (Restricted), dated October 19, 1945, entitled, "Port Charges in Peru not Previously Reported (Except as Otherwise Noted)".]¹

Nothing new has developed with reference to the internal taxes mentioned in the Department's instruction No. 4140 of July 2, 1945. The subject was taken up with the Minister of Foreign Affairs in the Embassy's note No. 44, dated August 20, 1945, but no reply has been received.

In order to avoid further delay, the Embassy reviewed and submitted the available data on the internal tobacco taxes in Despatch No. 286 of September 17, 1945, which enclosed a copy of note No. 44² referred to above. The latter solicited the Peruvian Government's assistance in analyzing the internal as well as the port taxes and charges, since the Peruvian technicians no doubt are in possession of factual details not available to the Embassy. In its conversations with the Peruvian

¹ Not printed.

² Neither printed.

delegates in Washington the Department may wish to suggest the value of full and prompt cooperation if it is desired to conclude a mutually satisfactory agreement within a reasonable period of time.

The instruction invited the Embassy to make any comments and to furnish any information it considers would be helpful to the Department. Those occupied with the pre-negotiation studies may find it useful again to review Secret Despatch No. 123 of August 17, 1945,³ entitled "Business and Economic Angles on Peru's New Government and Congress", and to the various despatches referred to therein, in order to refresh their memories of Peru's rather persistent irregularities of the past.

Although it is probable that certain of our pending problems in this country cannot be solved or even considered directly in the treaty negotiations, it is believed that the Department and the negotiating officers will welcome reference again at this time to some of the more prominent background information. The oldest and most difficult of the unsolved problems are, of course, the dollar loans, originally totaling 95 million dollars. These are composed of the 7 per cent Tobacco Loan, 1927-1959, for 15 million dollars; the 6 per cent First Series National Loan, 1927-1960, for 50 million dollars; and the 6 per cent Second Series National Loan, 1928-1961, for 25 million dollars. The service was suspended in 1931 after the principal had been reduced to \$81,547,500. Detailed information regarding the efforts of the bond holders' representatives to adjust this debt problem, and a considerable amount of miscellaneous information pertaining to Peru's general economic and financial conditions may be found in the series of despatches of which the last was No. 489 dated June 2, 1944,³ entitled "Seventh Session Dollar Debt Discussions, May 31."

The main point to be brought out here is that the Peruvians have made no serious effort to renew service on these bonds in recent years when the economic situation has been reasonably favorable, and notwithstanding the fact that the Tobacco Loan was guaranteed by the gross revenue of the tobacco monopoly, which ranged from S/12,030,218 in 1927 up to approximately S/34,000,000 in 1934.

The Peruvian trade control system may become, or may even now be, one of the most obnoxious, for the obvious reason that a few men may restrict or kill business by their own individual decision, without laws or regulations to govern them or to protect the business men. The complaints by Peruvian, American, Chilean, Canadian, Chinese and British merchants and officials are now so numerous and coherent as to point directly to such a conclusion. (There is also an accumulating volume of testimony that Ricardo Madueño, Manager of the

³ Not printed.

Peruvian Government's Banco Industrial is the principal hatchet man ; that he is anti-American, nationalistic, and stubborn.) It was the Bank's sales of silver, under Madueño's management, to the Casa Welsch (Proclaimed List) which caused the Banco Industrial to be placed on the Confidential List.

Mr. Wilfredo Pflucker, Superintendent of Importations, whose resignation of July 31, 1945, was finally accepted on October 13, stated that his views had been entirely disregarded and that he had not been attending committee meetings for several weeks.

According to Mr. Pflucker, the committeemen have the support of the large importing companies, which for the most part deal in machinery, building materials, foodstuffs, chemicals, and other commodities which have been classified as essentials. By virtue of that situation they are able to obtain practically all the dollar exchange they need, find their business prospering, and in fact look upon the system as a convenient method of eliminating a certain amount of competition.

In like manner, the local producers of medicinals, pharmaceutical products, hats, shoes, textiles, etc., defend the import controls because they are thus able to dispose of their manufactures, which, because of inferior quality in many cases, do not move well in competition with the finer imports (usually of United States origin.) As a general rule, the local manufacturers are now enjoying unwonted profits by charging import prices for their products.

Minor employees all along the line are in agreement also because they make money on the margin by accepting fees or presents for rendering special favors, according to the testimony of numerous importers.

Mr. Pflucker reported that all of this had been discussed in the meetings of the general steering committee, among whose members, he said, are Messrs. Clemente de Althaus and Alcides Velarde of the Central Reserve Bank, Superintendent of Banks Figari, Mr. David Dasso, Price Control Officer Diaz Dulanto, Mr. Ricardo Madueño, Mr. Jorge Chamot, and (until October 12) Mr. Pflucker. According to this experienced informant, the committee, as well as the President himself, defends the system as the only practical method during this period of political uncertainty which encourages the continued flight and hiding of dollar exchange.

It is now evident that we are not going to obtain a clear solution of this problem by the simple process of persuasion, although we shall no doubt be able to effect adjustments here and there in individual cases, as have been reported in previous communications.

We have engaged in repeated conversations with the leading representatives of American exporters, encouraging them to take united action. One of their most concerted acts was a protest published in

the newspapers of September 5, 1945, a translation of which is attached hereto as enclosure No. 1.⁴ The document is excellent and self-explanatory. Nevertheless, it produced no useful results, as may be observed by reading ex-Finance Minister Ferrero's reply, which is translated in enclosure No. 2.⁴

My Note No. 44 of August 20, 1945, to the Minister of Foreign Affairs, a copy of which was enclosed with Despatch No. 286 of September 17, 1945, entitled "Discriminatory Taxes on American Tobacco and Other Products", has remained unanswered, as has Mr. Greenup's letter of September 4, 1945, to ex-Finance Minister Ferrero (enclosure No. 3⁴).

Our latest official communication on the subject, Mr. Greenup's Memorandum of October 11, 1945, (Enclosure No. 4)⁴ to the new Finance Minister Carlos Montero Bernales, has not yet been answered, although the Minister stated that he would look into the matter, and published a notice in the newspapers the following day (October 12) to the effect that he "contemplated the revision of the system of control on foreign trade, the 'traffic' in foreign exchange, prices, and other controls exercised by this Ministry in order to put them in line with the economic exigencies of the moment and coordinate them with the other controls exercised by other Ministries". It is beginning to appear as if statements and promises of this character are appeasers, similar to those to the effect that Peru is going to exert every effort "within the economic possibilities of the country," to meet the defaulted debt obligations.

The Peruvians no doubt will endeavor to use the trade and exchange controls as a bargaining instrument. Such procedure would be most unfair in view of the exceptionally great favors we have accorded to this country. To obstruct any movement of that nature, one of the higher officers might intimate to Ambassador Beltran that the United States expects an immediate improvement in the application of the controls to the United States before serious consideration can be given to granting concessions to Peru.

The hour for straight-forward, unsentimental, business methods with Peru is overdue. It is bad enough to injure ourselves, but deliberately to go on providing a friendly nation and people with the facilities for perpetuating "political and economic gangsterism" is dangerous to both countries. This may well represent my own conclusion and that of our compatriots of long experience in Peru, but what is really important is that the conspicuous Peruvian leaders have the same opinion. The foregoing descriptive terms (in quotations) are their own, and in using them they have declared in sincerity

⁴ Not printed.

that it would be a godsend to this nation if the United States would place emphasis on fairness in our governmental economic relations rather than upon cooperative or unconditional contributions. I believe that such a practice, added to our overall good neighbor policy, would contribute much toward making the relations between Peru and the United States exemplary in the family of nations.

Despatch No. 423, of October 17, 1945,⁵ regarding a proposed law to increase the export duty on silver, produced largely by the American Cerro de Pasco Copper Corporation, contributes additional suggestions and recommendations of value.

Respectfully yours,

WILLIAM D. PAWLEY

623.116/11-3045

Memorandum of Conversations, by Mr. Alexander Schnee of the Division of North and West Coast Affairs

[WASHINGTON,] November 30, 1945.

Participants: Sr. Carlos Montero Bernales, Peruvian Finance Minister

Sr. Carlos Vidal, Member Advisory Committee, Peruvian Finance Ministry

Sr. Carlos Franco, Member Advisory Committee, Peruvian Finance Ministry

CP⁶—Mrs. Amelia H. Hood

CP—Lt. Col. Harry R. Turkel

FN⁷—Mr. James C. Corliss

NWC—Mr. Alexander Schnee

At the outset of the conversations Mr. Schnee explained to the Minister that the Department was anxious to avail itself of the opportunity provided by his presence in Washington to learn something of the Peruvian Government's plans with respect to import and exchange controls. It was explained that this interest grew out of the general interest in the subject as well as recent reports which indicated that the Peruvian Government was giving some thought to the desirability of enacting into law the controls which had been instituted early this year.

The Minister stated that he had already taken steps to reorganize the control administration with a view to centralizing administrative procedure and liberalizing control measures. The Minister stated that important measures had already been taken towards this end and that as a concrete example of the results he could point to the permits,

⁵ Not printed.

⁶ Division of Commercial Policy.

⁷ Division of Financial Affairs.

issued at his suggestion shortly before he left Lima, for the importation of 400 automobiles from the United States.

Sr. Montero stated that he was optimistic with respect to the Peruvian exchange position during the coming months in view of (1) the United States purchasing program, (2) the return of capital which had left the country because of the political uncertainty which followed the elections, (3) the prospects for future expansion of industry with the aid of United States capital, and (4) the informal arrangement ("gentlemen's agreement") made with a few of the larger American companies operating in Peru which would result in their voluntarily reinvesting a greater proportion of their returns in Peru for the next year or two.

As a result of the foregoing developments the Minister stated that he confidently expected that within a period of five or six months the Peruvian Government would be able to eliminate import and exchange controls.

Sr. Franco then reviewed briefly the conditions which necessitated the establishment of controls and stated that the flight of capital referred to above was an important factor in the establishment of these controls.

In connection with the subject of foreign capital in Peru, Sr. Franco mentioned plans to build up the economy of Peru, by industrialization and otherwise, and made the statement that he felt that Peruvian capital should be used to a greater extent, that Peruvians should have a 50 percent interest in enterprises in Peru in which foreigners are interested, and that foreigners should send out of the country only that portion of their net profits aggregating a return of 10 percent, investing the balance in Peru. Whether or not these were merely his own personal views or those of some of the members of the Aprista Party was not clear. The Finance Minister was not in the room when this statement was made.

In reply to a direct question as to whether it was the policy of the present Peruvian administration to continue controls the Finance Minister stated that it definitely was not and that he was sure of the support of Haya de la Torre, leader of the Aprista Party, and Senator Seoane in this viewpoint. Colonel Turkel referred to Articles III and X of the present trade agreement between the United States and Peru, which have to do with import restrictions, and stated that it has been the policy of our Government to discourage the use of exchange controls as a means of curbing trade and that under conditions requiring a nation to regulate imports the United States has favored publicly announced quota arrangements. Sr. Franco replied that he agreed that the proper procedure would be to eliminate exchange controls first and that if continued import controls were necessary, they

should be on a quota basis. The Minister made notes upon mention of the trade agreement, and Colonel Turkel gave him a copy of the agreement.

During this discussion the Minister stated that it was his hope that the new approach to international trade as envisioned in the Bretton Woods Agreement ⁸ would facilitate the handling of Peruvian foreign exchange requirements and would thus decrease the necessity for trade and exchange controls. He mentioned the December 31 deadline, which would indicate that Peru hopes to sign the Bretton Woods Agreement before that date.

Finally, the Minister suggested that the proposed preliminary conversations regarding a new trade agreement be postponed until after the first of the year when the Peruvian situation would be clarified. This was the only mention of the proposed negotiations.

⁸ For documentation on the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, July 1-22, 1944, see *Foreign Relations*, 1944, vol. II, pp. 106 ff. For texts of the agreements, see Department of State, Conference Series No. 55: *Final Act and Related Documents*.

URUGUAY

DECLARATION BY URUGUAY OF A STATE OF WAR WITH GERMANY AND JAPAN AND ITS ADHERENCE TO THE UNITED NATIONS DECLARATION

740.0011 E W/1-1145

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*¹

No. 2326

WASHINGTON, January 11, 1945.

SIR: In the Department's instruction of March 25, 1942² it was stated that this Government, as depository for the Declaration by United Nations,³ considers that a nation "at war" with any of the Axis powers and "rendering material assistance and contributions" in the struggle, becomes eligible for adherence. It was stated also that if the activities of the Axis should force Uruguay into the war, it would obviously be advantageous for that country to adhere to the Declaration.

Recently Ecuador, one of the South American Republics which has broken relations with the Axis and is making common cause with the United Nations but which has not entered into a state of war, consulted us on the question of that Republic's adhering to the United Nations Declaration at this time.⁴ We replied that we would welcome a step which would entitle it to become a full member of the United Nations with the advantages which would result from such membership; that a state of war between that Republic and Germany or Japan or both is necessary before it is eligible to become a member of the United Nations.

Obviously if the six South American countries which have broken relations with the Axis and are making common cause with the United Nations, but which are not at war, should join the United Nations, it would eliminate the second of the two categories in this hemisphere of "United Nations" and "Associated Nations".

This entire matter has become increasingly important in view of the enlarging concept of the United Nations. In the Declaration by

¹ A similar instruction was sent to the Ambassador in Paraguay, of which a portion is printed on p. 1279.

² No. 395, not printed.

³ For documentation concerning the Declaration, see *Foreign Relations*, 1942, vol. I, pp. 1 ff.; for text, see *ibid.*, p. 25.

⁴ For documentation on Ecuador's entry into the war and adherence to the United Nation's Declaration, see pp. 998 ff.

United Nations of January 1, 1942 twenty-six nations (1) pledged themselves to employ their full resources against the Axis powers with which they were at war, and (2) pledged themselves to cooperate with the other signatory Governments and not to make a separate armistice or peace with the enemies. Since that date ten other nations have adhered to the Declaration, making a total of thirty-six nations joined together in what President Roosevelt has referred to as the "mightiest coalition in history".

At Moscow on October 30, 1943 ⁵ four of the United Nations which are carrying the principal burden in the war against the Axis declared that their united action which had been pledged for the prosecution of the war would be continued for the organization and maintenance of peace and security. The four nations declared further that they recognize the necessity of establishing at the earliest practicable date a general international organization, based on the principle of the sovereign equality of all peace-loving states, and open to membership by all such states, large and small, for the maintenance of international peace and security.⁶

At Dumbarton Oaks these four nations, in implementing the Moscow Declaration, agreed upon proposals for the establishment of a general international organization under the Title of "The United Nations".⁷ These proposals were transmitted by this Government to all of the American Republics, with the exception of Argentina. After these proposals have been completed they are to serve as the basis of discussion at a full United Nations Conference at which the charter for the international organization of United Nations will be drafted.

Thus it is clear that the concept of the United Nations has enlarged to encompass a projected international organization to maintain peace and security in the future.

We feel that this situation should be frankly presented to the six South American countries concerned. While we realize that they are making their full contribution in the struggle against the Axis, we would be lacking in candor if we did not inform these Republics that there has been emerging recently in several of the United Nations a strong feeling that in postwar matters the United Nations should have some sort of preferred status. It is possible that when the time comes for the proposed United Nations conference on international organization some members of the United Nations might find their people, as a result of the ravages of this cruel war, insistent upon limiting the

⁵ The Tripartite Conference of Foreign Ministers in Moscow, October 18-November 1, 1943.

⁶ The "Declaration of Four Nations on General Security," signed at Moscow, November 1, 1943; for text, see *Foreign Relations*, 1943, vol. I, p. 755.

⁷ For documentation on the Dumbarton Oaks conversations, see *Foreign Relations*, 1944, vol. I, pp. 713 ff.

attendance at that conference to United Nations. This Government will do everything feasible to have these six South American Republics invited to the conference. However, so many other nations are concerned that there can be no certainty that our efforts would be successful. The same situation might arise in future conferences connected with the peace settlement.

In view of this situation, our regard for these six countries impels us to recommend that in their own interest they consider very carefully the question of making themselves eligible for adherence to the United Nations Declaration by entering into a state of war against Germany or Japan or both. This action would formalize the existing situation in which they are making common cause with the United Nations but have not formally entered into a state of war and would serve to re-emphasize hemispheric solidarity itself within the framework of the complete unity of the nations engaged in the present war for human freedom.

The awkward position of the six American "Associated Nations" was manifest on January 1, when the French Ambassador here signed the Declaration by United Nations at a ceremony to which were invited only representatives of the United Nations.⁸ Furthermore, there is increasing evidence that very soon will arise concretely the problem of what nations will be invited to the forthcoming United Nations Conference to consider the Dumbarton Oaks proposals.

The great importance, not only to Uruguay but also to the inter-American system, of the American republics standing shoulder to shoulder in this war as full members of the United Nations and taking part on an absolutely equal footing in the international deliberations ahead, cannot be over-emphasized. If Uruguay and the other five American republics would put themselves in a position to adhere to the United Nations Declaration, this action would certainly help to speed the conclusion of the war.

Please present this situation at once to the President or the Foreign Minister, stating that it is also being brought to the attention of the Governments of Chile, Ecuador, Paraguay, Peru, and Venezuela.⁹ You should use with great discretion and great care the points mentioned above, emphasizing that we feel Uruguay in its own interest will desire to give this matter immediate attention. You will realize that Uruguay's reaction to this proposition is likely to be negative unless it is presented as a significant opportunity for Uruguay to improve its own position and at the same time to make a positive contribution not only to inter-American solidarity in the war but also to the building of an international security organization.

⁸ For a record of these ceremonies, see Department of State *Bulletin*, January 7, 1945, pp. 17-20.

⁹ For documentation on the adherence of each of these countries to the United Nations Declaration, see pp. 755 ff., 998 ff., 1279 ff., 1312 ff., and 1418 ff., respectively.

You should impress upon the President ¹⁰ or the Foreign Minister ¹¹ the importance of keeping this matter entirely confidential at this time, and inform him that we are not bringing it to the attention of his Ambassador here.¹²

Please report by cable as soon as you have presented this matter to the appropriate authority.

Very truly yours,

J[OSEPH] C. G[REW]

740.0011 EW/1-2645

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*

No. 2346

WASHINGTON, January 26, 1945.

SIR: I refer to the Department's secret instruction no. 2326 of January 11, concerning the importance of Uruguay's formalizing its status by becoming a member of the United Nations. This matter is taking on added importance and, in order to present the need for early action and make his own stand clear and unequivocal, the President has considered it best to address personal letters in the premises to the Presidents of the six American republics concerned.

The letter addressed to the President of Uruguay is enclosed ¹³ and you are requested to deliver it immediately to President Amézaga. A copy is likewise attached for your secret information. Similar presentations are being made at Caracas, Quito, Lima, Santiago and Asunción.

I wish to underline the fact that the highest importance is attached to Uruguay's taking this step at the earliest possible date. I am confident that you will present the matter urgently and at the same time in its proper perspective.

We have suggested to you the alternative of a declaration of war against either Germany or Japan or both. This was in order to make the action as easy as possible for each of the Republics. We feel, however, that we should call to your attention the much greater dignity which would be attained if Uruguay, which does not front on the Pacific, should include Germany rather than limiting its declaration to Japan. We make this suggestion, not in order to put you in a position where you must reverse any action previously taken but simply for background thinking in case the matter should come up for discussion after your receipt of this.

Please submit a telegraphic report as soon as possible.

Very truly yours,

JOSEPH C. GREW

¹⁰ Juan José Amézaga.

¹¹ José Serrato.

¹² Marcial Mora.

¹³ The same *mutatis mutandis*, as the letter addressed to the President of Chile, printed on p. 758.

740.0011 EW/1-2945: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 29, 1945—6 p. m.

[Received 8:30 p. m.]

73. I discussed this morning with President subject matter of Department's instruction 2326, January 11 and my telegram 71, January 27.¹⁴

President said he considers Uruguay *de facto* at war with Axis and in principle would be disposed to formalize existing situation by entering into state of war against Germany and Japan but that difficulty lies in finding decorous manner of justifying such action at this stage of war. He pointed out that congressional approval would be indispensable. He suggested as possible procedure an agreement for collective action by six countries or at least several of them which might be reached at Mexico City.¹⁵ He asked me to see Serrato again before cabling Department.

I found Serrato in agreement with President's position. Serrato advanced further suggestion that at Mexico City 14 American countries which are at war and have adhered to United Nations Declaration might join in recommending that six remaining republics make themselves eligible for adherence in furtherance of hemispheric solidarity. Although prepared to join in collective action Serrato emphasized that he considers it impossible for Uruguay to take action alone in absence of some new development of a nature to justify a declaration of war.

In my conversation with President latter said he would talk with directors of two or three friendly newspapers with regard to preparing public opinion through articles to effect that question of adhering to United Nations Declaration may be raised by some country at Mexico City. Considering this premature and perhaps counterproductive I suggested postponement pending word from Department as to possible further developments and plans. I should appreciate Department's views as to (1) possibility of collective action at Mexico City and (2) any other procedure or formulae which may have been suggested.

DAWSON

¹⁴ Latter not printed.

¹⁵ The Inter-American Conference on Problems of War and Peace, February-March 1945.

740.0011 EW/2-545 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 5, 1945—noon.

[Received 1:30 p. m.]

90. I delivered this morning to Amezaga President's letter enclosed in Department's instructions 2346 January 26 received here Saturday evening.

(1) Amezaga reiterated readiness to formalize Uruguay's position as respects both Germany and Japan but inquired if I had received a reply from the Department regarding his previous suggestion for collective action at Mexico City (my 73 January 29). He feels strongly that collective action would be the most dignified manner of handling matter and would greatly facilitate congressional approval. He suggests one of first acts at Mexico City might be a recommendation that six republics which have not done so make themselves eligible for adherence to United Nations Declaration in furtherance of hemispheric solidarity.

(2) If urgency of matter does not permit postponement until conference Amezaga will consider earlier action in consultation with the other five governments.

(3) I should appreciate as soon as possible Department's comments on suggestion for collective action at Mexico City as well as any pertinent information concerning attitude of other five governments.

(4) If Department desires action before conference I shall of course press matter vigorously on receipt of instructions. As Congress is in recess action would require a special session which can be called at any time. However in order to set stage and insure a majority President would have to discuss matter in advance with leaders of at least four parties making leak almost inevitable.

(5) With reference to Department's 49 February 2¹⁶ I shall defer any discussion of preparation of public opinion through press pending your reply to present telegram.

DAWSON

¹⁶ Not printed; the Department indicated that the preparation of public opinion may be helpful (740.0011 EW/1-2945).

740.0011 E.W./2-845 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 8, 1945—7 p. m.

[Received 8:31 p. m.]

102. I communicated on February 6 to President and Serrato contents your 53, February 6.¹⁷

President said he could see no possibility of obtaining necessary Congressional approval by February 14 since most Congressmen are in the interior and February 12 and 13 are carnival holidays. He speculated as to possibility of signing United Nations' document ad referendum, i.e. subject to subsequent Congressional approval but I expressed opinion that this would not be feasible unless Executive actually declared state of war which he said it could not do without prior approval of Congress. President said he would give immediate consideration to means of expediting action and would discuss matter with leaders of friendly groups in Congress.

I was disappointed to learn this morning from Serrato that matter was not discussed at yesterday's Cabinet meeting. I know, however, that President is consulting his advisers. He asked me today if I had any further news from Washington. Prompt information regarding prospective favorable action by other countries would be helpful. I believe President desirous of presenting matter as one in which Uruguay would be going along with other countries.

Ecuadoran and Paraguayan declarations and press despatches from Washington particularly UP despatch of February 7 have elicited speculative press comment which indicates considerable confusion of editorial minds. Only significant article is one in which Molana connects possible exclusion of associated nations from conferences with some plan to induce six countries to declare war with view to further isolation of Argentina.

DAWSON

740.0011 E.W./2-945 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 9, 1945—7 p. m.

[Received 8:58 p. m.]

106. My 102, February 8. While not discussed again at yesterday's Cabinet meeting, I learn that question of declaration of war was taken up at a meeting earlier in the week but before receipt of

¹⁷ Not printed; it expressed pleasure that the Uruguayan President was ready to formalize Uruguay's position with respect to the Axis and advised against introducing the question of declaring war on the Axis in the Conference at Mexico City (740.0011 EW/2-545).

your 53, February 6,¹⁸ stressing urgency. President tells me that he is consulting advisers and leaders of friendly parties and finds them generally well-disposed but desirous that matter be presented to Congress as one in which Government is going along with other countries in similar position. . . .

In conversation early this afternoon Serrato impressed me as being inclined to stress difficulty of presenting matter in dignified way and doubtful as to attitude of Chile, Peru, and Venezuela with which countries he is apparently in consultation. Furthermore although I have repeatedly and clearly explained to him reasons set forth by Department, Serrato said he would find helpful more detailed information concerning developments which make action so urgent.

I thereupon saw the President who assured me again that Uruguay will take desired action. He said that he would prefer to act along with Chile, Peru, and Venezuela but that Uruguay will act alone if necessary. This, of course, is contingent on congressional approval. It is highly improbable that matter will be submitted to Congress before February 19 when special session has been called to consider budget. With carnival week intervening, it is extremely doubtful if necessary majority could be obtained if date were to be advanced.

This evening *Diario* carries article stating it is reliably informed that declaration of war by Uruguay on Germany and Japan is imminent and that President and Foreign Office are studying matter. Article connects proposed declaration with alleged effort to assure participation in peace conference of an American bloc favored "although not urged" by United States with view to counterbalancing Russian demand for separate votes for individual Soviet Republics.

DAWSON

740.0011 EW/2-1145: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 11, 1945—noon.

[Received 1:38 p. m.]

109. I communicated yesterday to Serrato contents your 64, February 9¹⁹ and have just seen Amézaga to apprise him of situation as outlined in your 66, February 10.²⁰ Copy of Colombian communication was handed to both.²¹

¹⁸ See footnote 17, p. 1368.

¹⁹ Not printed; it indicated that Peru intended to take action similar to that of Colombia in declaring a state of belligerency and thereby qualify to sign the United Nations Declaration.

²⁰ Not printed.

²¹ For documentation on the entry of Colombia into a state of belligerency with Germany and adherence to the United Nations Declaration, see *Foreign Relations*, 1943, vol. VI, pp. 1 ff.

Amézaga is staying in town to devote personal attention to matter and reports good progress in talks with leaders of friendly parties. He does not want Uruguay to be last country to adhere but states that constitution precludes even declaration of state of belligerency without prior congressional action. Amézaga speculated as to whether Chilean and Peruvian Governments contemplate declaring state of belligerency without prior congressional approval. I should appreciate prompt information on this point.

With reference to Department's statement in its 66 that it is presumed President intends to await congressional approval I trust Department appreciates position in which Amézaga finds himself. Under constitution only Congress can declare war. Congress is in recess and during summer months and particularly February most Congressmen are in country. Congress is badly divided and second strongest party is violently opposed to government and anti-US in attitude. It would be undesirable and probably dangerous to submit matter to Congress without reasonable assurance of presence of favorable majority.

In circumstances Amézaga would seem to have no alternative but to await session scheduled for February 19 unless Uruguay could be permitted to sign United Nations Declaration on basis of a declaration by Executive of its desire to adhere and its intention to recommend that Congress declare war or state of belligerency. If Uruguay could be permitted to sign on February 14 on this or some similar basis please instruct me immediately. While I am not sure that Amézaga would consider this procedure advisable in local political situation nevertheless I feel that he should be apprised of possibility if it exists with view to affording Uruguay opportunity to participate in February 14 ceremony.²²

DAWSON

740.0011 EW/2-1245: Telegram

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*

WASHINGTON, February 12, 1945—2 p. m.

67. Reurtel 109, February 11, noon. It seems preferable not to press Uruguay to be present at the February 14 ceremony but rather to await the convening of Congress on February 19. For your strictly confidential information the Chilean and Peruvian statements do not contemplate prior Congressional approval. The Chilean statement specifically says that the matter will be submitted to Congress later.

²² For an account of the ceremony of adherence to the United Nations Declaration on February 14, 1945, see Department of State *Bulletin*, February 18, 1945, pp. 231-237.

This is however without prejudice to the unequivocal statement which the Chilean president is likely to make. It is preferable however that you do not inform Amézaga of this background information.

The Department would appreciate an indication from you of how soon you believe the Uruguayan action is likely to follow once Congress has convened.

GREW

740.0011 E.W./2-1345: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 13, 1945—4 p. m.

[Received 5:06 p. m.]

114. ReDeptel 67, February 12. It is too early to venture an opinion as to how promptly Congress will act. However in our conversation Sunday morning President indicated that he hopes to line matters up for favorable action at first session. This would be contingent on obtaining quorum and favorable majority within quorum. Herreristas might be able to prevent quorum by refusal to attend or by abandoning session.

DAWSON

740.0011 E.W./2-1345: Telegram

The Acting Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, February 14, 1945—7 p. m.

71. Referring to Wright's²³ telephone conversation with you this morning, the purpose for the call was simply to make certain that there had not been some delayed message stating that Uruguay had subsequent to your no. 114 decided to take some action similar to the Colombian one. We felt we must protect ourselves by this call, owing to the fact that the signing ceremony will be this afternoon and great embarrassment would have resulted had Uruguay in the interim taken some action, the sense of which had not yet been communicated to us through telecommunications delays.

It is the Department's understanding that Congress will convene on February 19. If Uruguay takes the step during the first week of that session, its adherence to the United Nations declaration could be sufficiently early to get under the wire. As stated previously, we did not wish to press Uruguay to be present at the February 14 signing, fearing that, with Congress about to convene, the necessary action might well be more conveniently taken by that body in a few days.

GREW

²³ James H. Wright, Chief, Division of North and West Coast Affairs.

740.0011 E.W./2-1745: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 17, 1945.

[Received February 17—5:05 p. m.]

130. Following summarizes Uruguayan Government's message of yesterday to Congress submitting bill authorizing Executive to declare Uruguay in state of war with Germany and Japan and to sign United Nations Declaration. Eighteen American nations have declared war on Axis powers and another will surely do so in February making 42 signatories of United Nations Declaration. Aside from nations resisting direct aggression declarations of war respond in majority of cases to fundamental purpose of maintaining inter-American unity in face of extracontinental attacks and of making effective spiritual and political solidarity with countries struggling against aggression and reflect firm resolution of members of American community to intervene actively in events with identical responsibilities, in the interest of each and all and for benefit of world peace. Uruguay which from outset adhered enthusiastically and disinterestedly to cause of United Nations when outcome of war was uncertain cannot now remain outside solidarity group of practically all American countries nor take an inferior position vis-à-vis war and peace problems. In accordance with its traditions and commitments, Uruguay must strengthen its ties with American nations, contribute to fortify collective solidarity for hemisphere defense and victory over Axis and make uniform its attitude and action with sister republics. At same time it must prepare to fulfill its duties of collaboration in establishment of international peace, security and cooperation occupying its due place beside people which have defended moral and juridical patrimony of civilization. To permit the Republic to maintain its active and efficient cooperation in continental solidarity and defense, to reaffirm its adherence to countries fighting for triumph of ideals and principles of justice and liberty and to contribute to future world organization it behooves it to declare state of belligerence with Axis powers and become full member of United Nations. This attitude would agree with all acts and decisions through which throughout war Republic has expressed its repudiation of aggressor powers, manifested its adherence to norms of law and ideals of democracy, supported measures for hemisphere defense, collaborated in war effort against aggressors, and made evident national will to cooperate in establishment in world of system of peaceful relations between peoples and broad bases of justice. Uruguay has found itself for sometime in state of quasi belligerence with Axis powers or

even belligerency which only lacks formality of corresponding declaration as is demonstrated by many acts, declarations and attitudes. Here message enumerates various acts and particularly declaration of solidarity with United States after Pearl Harbor and extension of non-belligerent treatment to other countries, severance of relations with Axis, decree following declaration of war by Brazil, rupture with Vichy and recognition of Algiers Government and resumption of relations with Russia. Consequently declaration of state of belligerency with Axis powers would merely confirm a *de facto* situation in which country has long found itself through its free decision with fullest support of people whose sentiments Government interprets truly in proposing declaration of war. For these reasons Executive considers that in accordance with its clear traditions and invariable conduct during present war Uruguay should formalize its situation of belligerency placing itself on same line with sister countries against the aggressor powers which still resist joint action of United Nations. Bill as submitted reads:

Article 1, the executive power is authorized to declare that Uruguay finds itself in state of war with Germany and Japan;

Article 2, the executive power is authorized to subscribe the adherence of Uruguay to the Declaration of the United Nations signed in Washington on January 1, 1942.

DAWSON

740.0011 E W /2-1945: Telegram

The Acting Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, February 19, 1945—7 p. m.

80. Reurtel 131, February 19, 10 a. m.²⁴ For Uruguay to be invited to the San Francisco Conference it should act by March 1. This is in accordance with a decision taken at Yalta.²⁵ Please inform President confidentially.

After the declaration of war and before a representative of Uruguay signs the United Nations Declaration, we should have a communication stating that Uruguay has entered into a state of war, that it desires to adhere to the United Nations Declaration, and that it has empowered a representative to sign on behalf of Uruguay.

GREW

²⁴ Not printed.

²⁵ See Protocol of the Proceedings of the Crimea Conference, *Foreign Relations*, The Conferences at Malta and Yalta, 1945, pp. 975, 976.

740.0011 E.W./2-2145: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 21, 1945—9 a. m.

[Received 10:35 a. m.]

142. My press telegram 141.²⁶ Prompt action of Chamber of Deputies in approving declaration of war bill by vote of 62 to 19 bears testimony to effective preparatory work of President. Credit is due also to Serrato who attended entire session lasting from 11 p. m. to 7 a. m.

Session was stormy with much irrelevant political debate and insults hurled back and forth due principally to violent Herrerista attack on government. Although President had conferred with Herrerista leaders in hope of inducing conciliatory attitude for dignity of country, Herrerista directorate decided yesterday morning to oppose measure largely on ground of alleged danger of abuse of war powers by government.

DAWSON

740.0011 E.W./2-2245: Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 22, 1945—10 a. m.

[Received 10:49 a. m.]

146. My press telegram 145.²⁷ Debate in Senate on declaration of war was orderly and much less acrimonious and on much higher plane than in Chamber of Deputies. Principal Herrerista speaker Haedo²⁸ said that although vigorously opposing bill Herreristas will obey measure once it becomes law.

DAWSON

[The Department of State issued a press release on February 24, 1945, giving text of telegram of February 23 from the Uruguayan Minister for Foreign Affairs (Serrato) to the Acting Secretary of State (Grew), stating that Uruguay had declared itself in a state of war with Germany and Japan and that the Uruguayan Ambassador had been authorized to sign the Declaration by the United Nations, and text of telegram of February 24 in reply, welcoming Uruguay into the ranks of the United Nations; for text of the press release, see Department of State *Bulletin*, February 24, 1945, page 294.]

²⁶ Not printed.²⁷ Not printed; it indicated that the Uruguayan Senate approved a war declaration by a vote of 21 to 7 (740.0011 EW/2-2245).²⁸ Senator Eduardo Victor Haedo.

ASSISTANCE BY THE UNITED STATES ON MEASURES FOR THE
DEFENSE OF URUGUAY²⁹

833.20 Missions/2-345: Airgram

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*

WASHINGTON, February 3, 1945.

A-40. Please report any recent developments that might indicate Uruguayan willingness to request an American military mission.

Department realizes difficulties confronting such an eventuality (e.g. urdes 5273),³⁰ but in view of current appreciable increase in Lend Lease allocations for Uruguay the War Department continues to consider it advisable to send an air and ground mission to instruct and aid the Uruguayans in the use of the equipment thus furnished. This Department concurs with this view and hopes that some kind of technical military missions will be requested by Uruguay. (Reference Circular Instruction, Dec. 12, "Future of Military Missions in other American Republics.")³⁰

Information reaching the Department from various sources indicates that Uruguay is receptive to British desires to send a military mission to Uruguay. The Department trusts that the Uruguayan Government will realize the inadvisability of having a British mission along with American military equipment.

GREW

833.20 Missions/2-1345

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 5459

MONTEVIDEO, February 13, 1945.

[Received February 21.]

SIR: I have the honor to acknowledge the receipt (on February 12) of the Department's secret airgram no. 40 of February 3, 1945, requesting a report on any recent developments which might indicate Uruguayan willingness to request an American military mission.

It is presumed that the Department had not yet received my despatch no. 5335 of January 23,³⁰ in which I commented at some length on the outlook for military missions in Uruguay.

²⁹ Continued from *Foreign Relations*, 1944, vol. VII, pp. 1594-1607.

³⁰ Not printed.

In the meantime, I have had the advantage of discussing the matter with Major General Ralph H. Wooten ³⁵ on the occasion of the latter's recent visit to Montevideo (see my despatch no. 5435, February 9, 1945 ³⁶). On February 8 there was held at the Embassy a conference attended by General Wooten, the Military and Naval Attachés, Mr. Sparks,³⁷ and myself. General Wooten gave us certain background information concerning staff conferences with Brazil and informed us that he and Vice Admiral Munroe ³⁸ would be glad to initiate conferences with Uruguay in March.

General Wooten informed us in particular that in Brazil ³⁹ there was certain opposition to formal military missions and that indications were that in lieu of such missions arrangements would be made under which we would furnish instructors as needed for limited periods and limited objectives.

All those present at our conference agreed that the situation in Uruguay is very similar to that in Brazil as explained by General Wooten. As has been pointed out by the Embassy we feel that the Uruguayan Government will be disinclined to request formal military or naval missions or to contract for the services of such missions. We believe the outlook much brighter for requests for furnishing small groups of officers (not to be called missions) to be sent for limited periods and limited purposes with particular reference to instruction and training in the use of Lend-Lease matériel.

Respectfully yours,

WILLIAM DAWSON

810.20 Defense/2-1645: Telegram

*The Acting Secretary of State to the Ambassador in Uruguay
(Dawson)*

WASHINGTON, February 16, 1945—9 p. m.

76. It is agreed by the State, War, and Navy Departments that Military and Naval Staff Conversations with Uruguay should start **March 15**. Refer Department's secret circular instructions August 1, 1944,⁴⁰ and January 10, 1945.⁴¹ Please consult the Foreign Minister ⁴² and cable Department whether that date is agreeable to the Uruguayan Government.

³⁵ Commanding General, United States Army Forces, South Atlantic.

³⁶ Not printed.

³⁷ Edward J. Sparks, First Secretary of Embassy.

³⁸ Vice Adm. William R. Munroe, Commander of the Fourth Fleet.

³⁹ For documentation on staff conversations between Brazilian and United States military authorities, see pp. 600 ff.

⁴⁰ *Foreign Relations*, 1944, vol. VII, p. 105.

⁴¹ *Ante*, p. 600.

⁴² José Serrato.

Conversations in Uruguay will be under the supervision of General Wooten and Admiral Munroe. They will get in touch with you directly concerning details of the Conversations.

It is emphasized that the forthcoming staff conversations are entirely exploratory in nature,⁴³ will involve no commitments by either party, and will be confined to technical military and naval discussions, not to include political matters.

GREW

740.0011 E.W./2-2045 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 20, 1945—4 p. m.

[Received 4:47 p. m.]

140. With President's approval Minister of Public Health⁴⁴ informs me that as contribution to war effort Uruguay would be glad to supply medical mission composed of surgeons to serve wherever needed with US and British forces. Minister said his approach was merely informal and exploratory but that if our Government's reaction is favorable offer will be submitted formally.⁴⁵ I understand that for present British are not being approached. Early reply requested.

DAWSON

833.20 Missions/2-1345 : Telegram

The Acting Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, February 27, 1945—2 p. m.

91. ReDepgam A-40, February 3, urdes 5335⁴⁶ and 5459. Since staff conversations with Uruguay scheduled for March 15 will take up question of military missions it is hoped that satisfactory arrangements along this line will be made at that time.

Department approves in principle your discussing with General Campos the matter of obtaining assurances that in view of our deliveries of equipment Uruguay will turn first to us, but the nearness

⁴³ According to a memorandum from Col. P. W. Edwards, War Department, to the Department of State, dated February 22, 1945, the exchange of views was to concern the finances and manpower available, the size and composition of forces, standardization of equipment, organization, and training along United States lines in the fields of ground, air, and naval power (810.20 Defense/2-2245).

⁴⁴ Luis Mattiauda.

⁴⁵ Telegram 111, March 9, 1945, 8 p. m., to Montevideo, stated that "Army and Navy find it impracticable to assimilate proposed mission into our Armed Forces notwithstanding earnest desire to do so." (740.0011 EW/3-245) Consideration was given by the United States Public Health Service to the possibility of using the proposed mission in civilian work, but apparently nothing further was done.

⁴⁶ Not printed.

of the staff conversations would seem to render it unnecessary to take such a step unless in your opinion there exists a possibility that an attempt may be made to arrange for a British Mission before March 15.

Department understands General Wooten will forward directly to you the proposed list of topics to be discussed in the staff conversations.

GREW

810.20 Defense/3-1645 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, March 16, 1945—3 p. m.

[Received 4:02 p. m.]

220. ReDeptel 100, March 2.⁴⁷ Staff conferences have commenced in cordial atmosphere.

Vice Admiral Munroe arrived here on March 14 with *Omaha* and two destroyer escorts and Major General Wooten arrived by plane same day. Yesterday afternoon President received them together with other United States officers and Uruguayan officers participating in conferences. Foreign and Defense Ministers and I were also present. President made appropriate informal remarks welcoming visitors and stressing Pan-American solidarity and United States-Uruguayan friendship. This was followed by dinner at Embassy attended by President,⁴⁸ Foreign and Defense Ministers and principal United States-Uruguayan participants. This morning formal meeting of conferees only was held with Defense Minister presiding. Further details by airmail.

DAWSON

833.24/4-1045 : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, April 14, 1945—1 p. m.

164. Department has received a note from the Uruguayan Embassy⁴⁹ urgently requesting remaining deliveries of war materials solicited under Lend Lease. Department has replied to the effect that past requests have been granted to maximum extent compatible with demands of United Nations Armed Forces actively waging war, and with the terms of Lend-Lease Agreement;⁵⁰ that lessened danger of external aggression meant that fewer shipments under Lend-Lease

⁴⁷ Not printed.

⁴⁸ Juan José Amézaga.

⁴⁹ Note of March 14, not printed.

⁵⁰ See bracketed note, *Foreign Relations*, 1942, vol. VI, p. 703.

could be authorized; that disapproved items of previous requests do not remain pending after final action has been taken on the balance of individual requests; that new requests for respective items must be submitted if additional consideration is desired; and that future Uruguayan requests will be considered in the light of future military requirements and of information obtained from staff conversations.

Deptel 154, April 7, and urtel 292, April 10.⁵¹ Department wishes to point out that irrespective of Colombo's ⁵² attitude as of last December allocations of Lend-Lease materials for Uruguayan Army compared most favorably with previous treatment accorded Uruguayan Navy requests.

Allocations to the Uruguayan Army have so far been in a ratio of more than two to one as compared with the Navy. For your strictly confidential information, the figures as of December 1944 totaled approximately \$2,377,000 for the Army (exclusive of the large deliveries which were made available in the last quarter of 1944), as compared with \$1,500,000 for the Navy.

STETTINIUS

833.24/4-2545 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, April 25, 1945—3 p. m.

[Received 5:11 p. m.]

325. Uruguayans are apprehensive lest our deliveries of scarce materials to Uruguay be adversely affected by our economic assistance to Argentina. President has indicated such apprehension to me as respects coal deliveries and Minister of Public Works ⁵³ as respects rubber.

Official commercial and public opinion here will be very sensitive with regard to our treatment of Argentina. We must anticipate that it will require little to revive the old accusation that we are at heart more interested in rich Argentina than in staunch little Uruguay. There will no doubt be the usual exaggeration and misconception fostered by unfriendly elements and extremely difficult to counteract.

The situation is one which I view with concern and I consider it more important now than ever that we make every special effort to take care of Uruguay's modest needs.

DAWSON

⁵¹ Neither printed.

⁵² Gen. David M. Colombo, Uruguayan Chief of Staff.

⁵³ Tomás Berrata.

810.20 Defense/8-145

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 6152

MONTEVIDEO, August 1, 1945.

[Received August 8.]

SIR: With reference to the Department's telegram no. 258 of June 28, 7:00 p. m., 1945,⁵⁷ and in confirmation of this Embassy's telegram no. 492 of July 30, 4:00 p. m., 1945,⁵⁷ I have the honor to report that the staff conversations between representatives of the United States and the Uruguayan Armies and Navies which have been in progress since March of this year (Embassy's despatch no. 5585 of March 16, 1945⁵⁴) were formally concluded on July 27, 1945, and that all the participants consider that the conversations were successful.

On that date Admiral Munroe, General Wooten, General Laguarda,⁵⁵ Admiral Schroeder⁵⁶ and other American and Uruguayan participants, met in the Office of the Minister of National Defense and signed a statement in the nature of a protocol, copies of which in English and Spanish are enclosed.⁵⁷ It will be observed that the statement declares that "the work was completed as formulated in the documents set out in front of said members, each member possessing an identical copy of said documents." The documents referred to will be assembled by Colonel Meredith C. Noble, G.S.C., USAFSA, at Recife, Brazil, who will make available to the Embassy two complete sets. As soon as received, the Embassy will transmit one set to the Department for its information and files.

On July 28th, the Ambassador accompanied Admiral Munroe and General Wooten in a courtesy call on President Amézaga. In accordance with standing instructions, there is attached a copy of the Ambassador's remarks⁵⁷ on that occasion.

Respectfully yours,

For the Ambassador:

EDWARD J. SPARKS

1 Secretary of Embassy

[Following the termination of hostilities with Japan, notification was sent to Embassies of the American Republics in the United States receiving Lend Lease aid that Lend Lease operations were being terminated. The text of the note to the Embassies is quoted in circular telegram of October 6, 1945, printed on page 256. The note to the Uruguayan Ambassador was dated September 28, 1945.]

⁵⁵ Maj. Gen. Faustino Laguarda, Inspector General of Uruguayan Army.

⁵⁶ Rear Adm. Gustavo A. Schroeder, Inspector General of Uruguayan Navy.

⁵⁷ Not printed.

In a subsequent notice addressed to certain Embassies, this was modified to permit the issuance of maintenance items. The note to the Uruguayan Ambassador on October 16, 1945, was similar to that sent to the Bolivian Ambassador on the same date printed on page 257.]

833.24/10-2245

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 6490

MONTEVIDEO, October 22, 1945.

[Received October 31.]

SIR: I have the honor to refer to the Department's secret instruction of September 11, 1945 (file no. 800.24/9-1145), entitled "Future Military Cooperation with the other American Republics",⁵⁸ and in particular to the penultimate paragraph concerning the implementation of staff conversations and the Department's wish to receive from our Embassies studies touching the probable effect upon financial structure and political conditions of carrying out the recommendations of the conversations.

Political Conditions.

As respects first the political angle, the experience of the past few years indicates that it will not be easy for the Government to obtain from the Uruguayan Congress approval of projects providing for any very substantial increases in the country's armed forces and in expenditures therefor. Uruguay has never adopted compulsory military service and the Administration's recent and current efforts to obtain legislation which would make military instruction effective have found little support and aroused vigorous and fairly widespread opposition. Now that the war is over, it will probably prove harder than ever to convince public opinion that it is the duty of the country and of its citizens to make necessary sacrifices for defense. Aside from the fact that the democratic and liberty-loving Uruguayans distrust and dislike strong military establishments, many of them feel that given its position between two powerful neighbors Uruguay could never maintain armed forces capable of insuring its defense and that, irrespective of anything it can do, it must look to other countries—and particularly the United States—for security and protection.

It is believed, however, that from the political standpoint the Department's inquiry contemplates rather the effect which eventual increases in the armed forces recommended as a result of the staff conversations might have on political conditions. More specifically, the Department is presumably interested in knowing whether such increases might tend to constitute a threat to democratic processes. In

⁵⁸ *Ante*, p. 249.

the opinion of the Embassy, it is quite unlikely that any increase in the numerical strength or military potential of the armed forces which the Uruguayan Congress and Uruguayan opinion would approve would endanger the country's well established democratic institutions. These institutions are firmly rooted in a democratic tradition and a love of liberty characteristic of the Uruguayan people and they are supported—to a much greater extent than in most Latin American countries—by the existence in Uruguay of a strong middle class and an enlightened public opinion. Uruguayan military men are not only fully aware of the strength of this democratic tradition; they are influenced by it; and to a very considerable extent they sympathize with it. In the circumstances, the Embassy believes that, as respects Uruguay, there is little danger of the development of militaristic tendencies to the detriment of democracy.

Financial Structure.

It is difficult to comment satisfactorily upon the probable effect upon Uruguay's financial structure of carrying out in whole or in part the recommendations of the recent staff conversations.

The Military and Naval Attachés, whose assistance was requested and who desired to cooperate, point out that any accurate estimate of the cost involved is impossible for several reasons. In the first place, we do not know what increases in personnel and equipment will be approved in Washington; and in the second place no reliable information is available as to the cost of eventual personnel increases or as to the prices which our Government expects to charge for equipment.

The Naval Attaché and the Military Attaché for Air have prepared statements concerning the navy and air forces respectively from which it will be apparent that any substantial implementation of the staff conversations would entail substantial budget increases. As respects the army proper, the Military Attaché has been unable to prepare any figures. Obviously, however, in view of the number of men and quantities of equipment involved, the financial charges which implementation would require would be proportionately heavy.

The matter has been discussed also with the Embassy's Commercial Attaché, Mr. Franklin W. Wolf, who is its officer best informed as to Uruguayan finances. His comments and views may be summarized as follows: For the past few years the Government's expenditures have consistently exceeded its receipts, the result being mounting deficits which have been financed by the sale of internal bonds. Up to recently the market has absorbed these bonds with relative ease. However present indications are that the Government is meeting and will continue to meet with growing difficulty in disposing of additional internal debt obligations. It is expected that 1945 will show an increase in revenues and that the gradual return to normal trade conditions will

lead to a perhaps considerable increase particularly in customs receipts. However as respects 1945 there is every indication that increases in disbursements will more than equal increases in revenues and it is Mr. Wolf's opinion—based on careful study and considerable familiarity with Uruguayan finances and fiscal practices—that it is unlikely that the Government will succeed in balancing its budget at any time within the near future. Among other unfavorable factors may be mentioned the unsound situation of the principal pension reserve funds which may sooner or later precipitate a financial crisis and also the circumstance that there seems to exist little hope that the Government and Congress will undertake the general overhauling of the tax structure which the country needs in order to place its finances on a really sound basis. (For more detailed information concerning the whole subject reference is made to the following reports submitted by Mr. Wolf: No. 267, "Uruguay—The General Budget for 1944", June 12, 1944; and No. 383, "Uruguay—A Study of the Government's Revenues", August 28, 1944.)⁵⁹

In the circumstances Mr. Wolf points out that if Uruguay's appropriations for national defense are to be increased without adversely affecting the financial structure this can be accomplished only by corresponding reductions in disbursements for other items. Substantial reductions in expenditures under other headings are always difficult and will be particularly difficult in Uruguay. This will be apparent from the fact that, as Mr. Wolf points out, of total disbursements included in the budget for 1944, approximately 75% is accounted for by the following four principal categories: public debt service, 23%; social security (including public health and pensions), 20%; national defense and police, 18%; and education, 14%. It is obvious that expenditures for such purposes as public debt service and pensions cannot be reduced and that any reduction in appropriations for education would be inconceivable in a country such as Uruguay.

In conclusion it is Mr. Wolf's opinion, in which the other officers of the Embassy concur, that there is small likelihood that it will prove possible to make any substantial increase in outlays for national defense without some adverse effect upon Uruguay's financial structure.

It is the Embassy's understanding that the Uruguayan Government is not only up to date in its payments under Lend-Lease but has paid an amount which exceeds that which it is called upon to pay (under the terms of its agreement) for the quantities of matériel actually received. Not possessing full information concerning either the figures or the manner in which the matter will be handled, the Embassy has not considered this factor in the present despatch. It is a factor which will no doubt receive due consideration in Washington

⁵⁹ Neither printed.

and which may serve to facilitate the solution of the financial problems involved in the implementation of our staff conversations with Uruguay.

Respectfully yours,

WILLIAM DAWSON

833.24/11-745

Memorandum by the Assistant Chief, Division of Economic Security Controls (Mann), to the Director, Office of American Republic Affairs (Briggs)

[WASHINGTON,] November 7, 1945.

1) The Lend-Lease Agreement with Uruguay, dated January 13, 1942, recites that the US "proposes" to transfer arms and munitions having a total value of about \$17,000,000. The Agreement recites, however, that the United States "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."

2) The Uruguayan Embassy's note dated September 17, 1945 (attached)⁶⁰ correctly states that Uruguay has received war materials whose total value is approximately \$6,785,000 and has paid approximately \$5,200,000 which, under the terms of the contract, amounts to an overpayment of approximately \$2,086,525. (The exact figures are unknown since our latest totals stop at May 31, 1945. LP⁶¹ expects, however, to receive from FEA⁶² in the next day or so a fresh report which will bring the figures down to August 31, 1945.)

3) An interim reply was made to this note on October 18, 1945 (also attached).⁶⁰

4) According to LP the overpayment resulted from Uruguay's policy of paying strictly according to the schedule set out in the contract without regard to actual deliveries. Article II of the contract clearly provides that if the US is unable to complete deliveries according to the schedule set out in the contract "the payments to be made by the Oriental Republic of Uruguay would be reduced in the same proportion." According to LP, in July 1945 our Embassy in Montevideo called the Uruguayan Foreign Office's attention to the fact that overpayments had been made and the Foreign Office elected to leave the money in the United States. (It is possible that these July conversations did not cover the full story since FEA apparently delayed in informing the Department of certain payments which had been made by Uruguay.)

⁶⁰ Not printed.

⁶¹ Division of Lend-Lease and Surplus War Property Affairs.

⁶² Foreign Economic Administration.

5) There is no question but that the US owes Uruguay approximately \$2,000,000. Present information is that this money is earmarked in a special account and presumably the entire sum can be returned to Uruguay although final payment will necessarily have to be delayed pending final settlement of accounts and compliance with the necessary formalities for obtaining a release of such money.

6) The Uruguayans, however, suggest in their October 16 [17] note that the balance of the war materials be furnished promptly under Lend-Lease. The answer to this suggestion must be that it is no longer possible for this Government to furnish any material to any government under Lend-Lease. I believe this was recently made clear in a circular instruction or telegram which stated, however, that the US hoped that alternative arrangements could be worked out (i.e. sale of surplus property).⁶³

7) The alternative suggestion of the Uruguayans is that they be furnished war materials having a value of \$4,547,780 as originally contemplated in the Lend-Lease Agreement in satisfaction of our \$2,000,000 debt. This will also be impossible since it will be necessary to work out a new agreement which presumably will not be based on the same percentages as the old Lend-Lease Agreement was.

8) In sum, the Uruguayans have the option of requesting a refund equal to the amount which they have overpaid under the Lend-Lease Agreement or of leaving such overpayment in the US with a view to paying for surplus property which may be released to Uruguay and for such other uses as they may wish to make of it.

9) Our actions have apparently been in strict accordance with the terms of the contract and with our ability to deliver Lend-Lease material. LP states that most of the other American republics have only received about 50% of the material stipulated in the various Lend-Lease Agreements and that Brazil is the only country which has received substantially more than that percentage.

10) LP will draft an appropriate reply as soon as possible. There is some advantage in waiting a couple more days in order to have FEA's latest figures.

833.24/12-2845

The Acting Secretary of State to the Uruguayan Chargé (Montero)

WASHINGTON, December 28, 1945.

SIR: I refer to the Embassy's note no. 729/945 C 66.6, dated September 17, 1945,⁶⁴ concerning Uruguay's lend-lease account, and to this Department's note of September 28, 1945⁶³ concerning the termination of lend-lease.

⁶³ See bracketed note, p. 1380.

⁶⁴ Not printed.

This note informed the Embassy of Uruguay that the Government of the United States had decided that, subject to certain specific exceptions, the transfer of matériel under the terms of the Lend-Lease Agreement signed on January 13, 1942, by representatives of the Republic of Uruguay, would be terminated. This decision is consistent with the Lend-Lease Agreement, which reads in Article I, "In conformity, however, with the Act of Congress of the United States of America of March 11, 1941,⁶⁶ 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". In view of the decision to terminate lend-lease the United States Government will not be able to make further transfers of matériel as requested in the Embassy's note under reference.

In the terms of Article II of the Lend-Lease Agreement, "In case the President of the United States of America should decide to suspend deliveries in accordance with Article I or if the United States of America should be unable to complete deliveries up to the total value contemplated by that Article, the payments to be made by the Oriental Republic of Uruguay would be reduced in the same proportion, so that the Oriental Republic of Uruguay would not be obliged to pay the United States of America for the deliveries made by the United States of America a greater percentage of the total value of the deliveries than the total payment provided in this Article bears to the total value of deliveries contemplated in Article I".

In view of this provision of the agreement, the United States Government recognizes the right of the Republic of Uruguay to repayment of such sums as may have been paid in excess of the approximate appropriate percentage of the total value of lend-lease transfers to the Government of Uruguay, and following the final audit of lend-lease transfers will take steps toward the repayment of such excess sums upon request from the Government of Uruguay.

Conversely, if the Government of Uruguay desires to retain its credit balance in the United States as an account to be applied against purchase of surplus property the Government of the United States has no objection to such an arrangement.⁶⁷ In this case the United States Government would continue to recognize its obligation to repay to Uruguay any unused sums at any time upon request.

Accept [etc.]

For the Acting Secretary of State:
SPRUILLE BRADEN

⁶⁶ 55 Stat. 31.

⁶⁷ According to a memorandum of July 3, 1946, from Sherburne Dillingham, Division of River Plate Affairs, to George H. Butler, Chief of that Division, this appears to have been the course adopted (833.24/4-2346).

EFFORTS TO SECURE THE COOPERATION OF THE URUGUAYAN
GOVERNMENT IN THE CONTROL OF AXIS INTERESTS AND ACTIVITIES IN URUGUAY⁶⁸

862.20233/1-545 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 5, 1945—6 p. m.

[Received 7:37 p. m.]

11. Uruguayan police arrested early this morning and are holding dozen or more persons suspected of being implicated in Nazi espionage and propaganda activities. Arrests were made as result of confession of one Frova⁶⁹ who was questioned on basis of mail intercepted from Buenos Aires. Both Naval and Legal Attachés had advance information and have cabled names of all persons implicated to Navy Department and FBI.⁷⁰ Among those detained are two Brazilian Integralistas and also Romeo Maeso of Uruguayan Foreign Office and Juan Alberto Bove Trabal, concerning both of whom Department's files contain information.

Chief of Police has given story to press and it is being played up sensationally with revolutionary implications which appear unwarranted. On other hand there is reason to believe that several of those arrested have been working with Nazi propaganda and intelligence services in Argentina.⁷¹

Repeated to Rio and Buenos Aires.

DAWSON

740.33112A/1-1945 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 19, 1945—4:30 p. m.

[Received January 29—5 p. m.]

A-30. Reference Embassy's despatch no. 5312, January 18, 1945,⁷² transmitting fourth memorandum prepared by Ezequiel D. Salinas of Embassy staff concerning efforts to induce Uruguayan Government to take more adequate control measures and particularly measures for elimination of spearhead Axis firms:

Although Embassy is pushing matter vigorously and in spite of excellent work being done by Salinas, we are not optimistic with regard to likelihood of satisfactory action by Uruguayan Government at any

⁶⁸ For previous documentation on the cooperation of Uruguay and the United States on controlling Axis financial interests, see *Foreign Relations*, 1944, vol. VII, pp. 1632 ff.

⁶⁹ Antonio Domingo Frova Mazzoni, Italian-born naturalized Uruguayan, employed in the Ministry of Public Works.

⁷⁰ Federal Bureau of Investigation.

⁷¹ According to telegram 13, January 8, 1945, 4 p. m., from Montevideo, all except six, including the Brazilians, were released.

⁷² Not printed.

early date. As Department knows, Uruguay's performance as respects implementation of economic defense program outlined in Rio Resolutions and Washington Recommendations ⁷³ has from the outset left much to be desired, and record of both Baldomir ⁷⁴ and Amézaga ⁷⁵ Administrations indicates consistent hesitation if not reluctance to proceed vigorously against Axis firms. In fairness to both Administrations it should be pointed out that (save for brief period during which Baldomir dispensed with Congress) Executive has had to contend with very substantial Congressional opposition and, as set forth in Salinas' memorandum, present situation as explained by Serrato and his advisers is that Government is in favor of implementation which we desire but is still studying how best to present matter to Congress in order to overcome anticipated opposition to necessary legislation. Furthermore Government's attitude is and will no doubt continue to be influenced by President's extremely legalistic and cautious approach.

Also as set forth in Salinas' memorandum, Serrato ⁷⁶ is now thinking along line that some action may be taken at Mexico City Conference ⁷⁷ which would strengthen Government's hand in submitting any bill to Congress. Judging by remarks made to me by both the President and Serrato I infer that they feel that best way of effecting program would be through further inter-American commitments which could be immediately presented to Congress as obligating Uruguay to take the action in question. Reference is made to Salinas' memorandum for further details as well as Government's reasons for preferring to base request for legislation on new commitments rather than on Rio Resolutions or Washington Recommendations.

DAWSON

740.33112A/3-2345

*Memorandum by Mr. Ezequiel D. Salinas of the Embassy Staff in Uruguay to the Ambassador in Uruguay (Dawson)*⁷⁸

[Extracts]

MONTEVIDEO, March 23, 1945.

Subject: Elimination of Axis Spearhead Firms

As forecast in my memorandum of January 18, 1945 ⁷⁹ on the above

⁷³ Resolutions of the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15-28, 1942, Department of State *Bulletin*, February 7, 1942, pp. 117 ff.; recommendations of the Inter-American Conference on Systems of Economic and Financial Control, Washington, June 30-July 10, 1942, Pan American Union, *Final Act*. For documentation on these Conferences, see *Foreign Relations*, 1942, vol. v, pp. 6 ff. and pp. 58 ff., respectively.

⁷⁴ Gen. Alfredo Baldomir, President of Uruguay, 1938-43.

⁷⁵ Juan José Amézaga, President of Uruguay, 1943-46.

⁷⁶ José Serrato, Minister for Foreign Affairs.

⁷⁷ For documentation on the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945, see pp. 1 ff.

⁷⁸ Copy transmitted to the Department in despatch 5614, March 23, 1945, from Montevideo; received March 31.

⁷⁹ Not printed.

subject, the question of implementing the general program involving the elimination of Axis spearhead firms has been virtually in abeyance pending whatever action might be taken at the Mexico City Conference.

It appears that the Conference has provided the necessary stimulus. Deputy Juan F. Guichon,⁸⁰ Uruguayan delegate, reports that soon after he returned from Mexico he had a long conference with Foreign Minister Serrato during which Serrato was apprised of the leading part which Uruguay took in the adoption of the Resolution involving the "black lists" and the measures to be applied to enemy firms. Guichon stated that the Minister was very well impressed and satisfied that the said Resolution provided ample support for action against the local enemy firms. Guichon assured me on his own initiative that he will press continuously until this act of the Mexico City Conference is translated into an effective program in Uruguay. Since he represented the Batllista party in the Uruguayan delegation, it may be assumed that his requests will carry some weight with Minister Serrato.

With reference to Banco Alemán Transatlántico, Dr. Alberto Dominguez Campora⁸¹ (who has been ill for a few days) has advised me that adequate personnel to intervene the said bank has been selected; that he has given them the necessary instructions; and that they will move into the Banco Alemán on April 1. He specified that the Banco Alemán will be allowed to pay funds only for accounts owed, and to receive money only in payment for funds owed the Bank. I said that Staudt & Cia.⁸² owed the Banco Alemán about \$U 400,000—if the Banco Alemán would be permitted to renew the loan. He said they would not permit renewals, and that Staudt & Cia. would have to pay.

E. D. S[ALINAS]

740.33112A/3-2645

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 5621

MONTEVIDEO, March 26, 1945.

[Received April 6.]

SIR: I have the honor to refer to the Department's instruction no. 2353 of January 30, 1945⁸³ containing directives for the revision of

⁸⁰ A footnote in the original at this point indicates Guichon's reaction to his experience at Mexico City.

⁸¹ A footnote in the original at this point indicates opinions of the Conference expressed by Dominguez Campora and others.

⁸² German firm appearing on the Proclaimed List.

⁸³ Substantially the same, except for omission of the penultimate paragraph, as instruction 6464, February 2, to Buenos Aires, p. 442.

the Confidential List of Unsatisfactory Consignees. It is noted that it is desired to reduce the List to such extent as may be commensurate with existing circumstances with a view to possibly reaching an agreement with the British for the coordination of the Confidential List and the Black List.

There is attached herewith a memorandum⁸⁴ setting forth the Embassy's recommendations, with brief comment, concerning all cases appearing on the Confidential List for Uruguay as of March 10, 1945. The Embassy will be pleased to receive the Department's observations regarding such cases as do not appear to qualify for retention or deletion, as the case may be, under the criteria by which the operation of the Confidential List is to be governed in the future.

There has been little effort on the part of Proclaimed List firms in Uruguay during the past two years to utilize cloaks for the importation of merchandise from the United States for their own account. This is doubtlessly due to their knowledge of the extensive measures taken to control exports from the United States. On the other hand, the Confidential List has been of considerable value in Uruguay in suppressing local trading with Proclaimed List firms, including the supplying of materials imported from countries other than the United States, such as Brazil and Argentina. It has also been useful as a means of preventing objectionable persons and firms from profiting by trade with the United States in cases where because of political considerations or lack of sufficient concrete evidence, etcetera, it was not feasible to recommend their inclusion in the Proclaimed List.

In view of the extent to which the Confidential List has become ineffective in preventing the exportation of goods to persons and firms included therein and the likelihood that it is to become increasingly ineffective in the future as export licenses will be required for fewer commodities, it is respectfully suggested that the Department consider the feasibility of arranging with the Treasury Department for the designation as Special Blocked Nationals⁸⁵ of all names appearing on the Confidential List. It is thought that this might provide a more effective control in cases where export licenses are not required, especially when payment is required in the United States prior to the exportation of merchandise.

Respectfully yours,

For the Ambassador:
ROBERT G. GLOVER
Commercial Attaché

⁸⁴ Not printed.

⁸⁵ Treasury List of Special Blocked Nationals included persons or firms whose activities were of such a character as to require a Treasury license.

862.20233/4-3045

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 5764

MONTEVIDEO, April 30, 1945.

[Received June 6.]

SIR: I have the honor to furnish herewith such details as have appeared in the Montevideo press describing how the Uruguayan authorities, with the assistance of a lead received from the British Intelligence Service, carried out a series of raids early this month and after interrogating some twenty people released all but the following three individuals, who have been remanded to prison to stand trial for carrying on Nazi espionage activities: Fritz A. Rabe (PL),⁸⁶ his brother, Hans J. Rabe (PL) and José Vendemia.

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It appears that the authorities have discovered from their interrogations of the above individuals and the evidence received from other sources that the Rabe brothers and José Vendemia were engaged in obtaining and forwarding information on Allied shipping to a Nazi group in Rio de Janeiro. These three individuals have now been committed for trial and, as stated, have been placed under arrest. On April 11 it was announced in the press that Fritz Rabe had been provisionally suspended as a member of the National Chamber of Commerce and also as a qualified stock exchange broker.

While the recent success of the local authorities in uncovering additional Nazi agents naturally attracted attention and produced expressions of alarm from various newspapers, coinciding as it did with the appearance of press reports of the discovery of an Axis sabotage ring in Chile and with publication of the more sensational findings of the Uruguayan and Argentine authorities who had been jointly investigating Axis subversive activities in the River Plate (see Embassy's despatches no. 5561 of March 21 [12] and no. 5683 of April 10, 1945),⁸⁷ this case failed to arouse the excitement provoked by the discovery three months before of the local Nazi spy ring involving Juan Alberto Bove Trabal (see Embassy's despatches no. 5270 of January 10 and no. 5339 of January 23, 1945⁸⁷).

Upon completion of the report now being prepared by the Legal Attaché about this case, a copy will be promptly forwarded to the Department.

Respectfully yours,

For the Ambassador:
REGINALD BRAGONIER
Second Secretary

⁸⁶ Proclaimed List.

⁸⁷ Neither printed.

740.33112 RP/5-2645

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 5838

MONTEVIDEO, May 26, 1945.

[Received June 4.]

SIR: With reference to this Embassy's despatch no. 5790 of May 7, 1945⁸⁸ transmitting a copy of a Uruguayan decree dated May 4, 1945 which contained a list of twenty-three Axis firms declared "intervened and subject to the control of functionaries to be designated by the Executive", I have the honor to confirm the Embassy's telegram 379 of May 25, 1945⁸⁸ and to enclose a copy⁸⁸ of an Executive decree dated May 23, 1945 and published in the local evening papers of May 24 designating three interventors for each of twenty-one of the Axis firms listed in the May 4 decree.

Three interventors had been verbally appointed by the Executive on May 7 for Staudt y Cía. (PL) and its holding company Unitas S.A. (PL). (The Embassy is now in direct contact with these interventors.)

Official assurances have been received orally by the Embassy to the effect that these intervention measures constitute a preliminary step in the replacement program envisaged, and that a bill will be submitted to Congress providing for the necessary delegation of power to enable the Executive to proceed toward the ultimate elimination of objectionable Axis spearhead firms. As soon as material tangible evidence develops, the Embassy will report in detail (1) the actual scope of authority granted these interventors under the intervened-and-subject-to-control provisions of the decree, (2) the manner in which the authority is exercised, and (3) the resulting effects as they occur. The Embassy is informed that influential members of the Uruguayan Congress have become interested in the replacement program measures and are requesting information from the Government as to what specific instructions have been given the interventors and what concrete action has been taken pursuant to the above decrees.

Respectfully yours,

For the Ambassador:

EDWARD J. SPARKS

I Secretary of Embassy

⁸⁸ Not printed.

862.20233/5-3145

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 5859

MONTEVIDEO, May 31, 1945.

[Received June 6.]

SIR: Reference is made to the Embassy's despatch no. 4272 of April 27, 1944,⁸⁹ reporting the release on parole of Rudolf Meissner and F. Schonfeld Gordon, two of the eight dangerous Nazis arrested by the Uruguayan authorities in September 1940, and to despatch no. 5129 of November 29, 1944,⁸⁹ reporting the release ordered by the Uruguayan Supreme Court of another of the group, Reinaldo Becker. I have the honor to report that the Legal Attaché's office has now been informed that this past May 5 two more of the Nazis, Rudolf Patz Todt and Julio Holzer, were conditionally released from jail, presumably for "good conduct". No announcement has been noted in the press about this development.

It may be recalled from despatch no. 4272 that Meissner and Schonfeld Gordon were released a year ago after having spent a little over three and a half years in jail and from despatch no. 5129 that Becker served a little over four years of his five years' sentence. In the present case Patz and Holzer have served only a little over four and a half years of their seven and nine year sentences respectively. Of the original eight Nazis only the following remain in jail: Arnold Fuhrmann, sentenced to thirteen years' imprisonment; Otto Klein Kanitz, sentenced to twelve years' imprisonment; and Adolfo Dutine, sentenced to ten years' imprisonment.

The Legal Attaché has received an unconfirmed report that Holzer upon his release was at once re-employed by his old firm, Eugenio Barth y Cia. (PL).

Respectfully yours,

For the Ambassador:

REGINALD BRAGONIER

Second Secretary

800.515/7-545 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, July 5, 1945—6 p. m.

[Received 7:58 p. m.]

451. Decree July 3 charges Minister of Interior with execution of control and intervention measures. He is today proposing to intervened firms alternative of voluntary or forced liquidation proceeds in each case to be blocked. His action yesterday in arresting Manrzer

⁸⁹ Not printed.

of Banco Alemán and threatening with arrest principals of Staudt and Quinke⁹⁰ who at first refused to produce certain books and correspondence as well as intervention of additional firms suggested by Embassy and appreciable tightening of controls indicate that Urug Govt means business. Bill for eliminating spearhead firms is being redrafted to meet views of Cabinet and Minister plans to submit it to Congress July 16 where he anticipates favorable action.

DAWSON

740.33112 RP/7-945

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 6034

MONTEVIDEO, July 9, 1945.

[Received July 21.]

SIR: I have the honor to refer to the Embassy's telegram 451 of July 5, 6 p. m. and to previous communications on the subject of elimination of Axis economic spearheads in Uruguay, and to transmit the following résumé of latest developments:

In General

Thirty-four Axis firms have been declared "intervened and subject to the control" of the Minister of the Interior, Dr. Juan José Carbajal Victorica, and efforts are being made to achieve the intervention of additional enterprises for purposes of control and investigation.

The intervention and control decrees, originally not more than dead-letter promulgations, are being effectively and forcefully implemented since the sole responsibility and administration of their enforcement were reposed on the Minister of the Interior on July 3.

Definite assurances have been received from the Government to the effect that a bill providing for the necessary delegations of powers under which the Executive may proceed to eliminate the Axis spearheads from the economic life of Uruguay will be submitted by July 16. While a debate is anticipated on the principle of granting such broad powers to the Executive, well-informed opinion is that the measure will be enacted into law.

Recent occurrences indicate the Government is now in earnest about carrying out its replacement program.

The Minister has now issued instructions to the interventors that they are to look into everything which may indicate anti-national activities or pro-Nazi associations on the part of the intervened firms; that, outside of the routine over-the-counter business, they are to block

⁹⁰ Presumably the Proclaimed List firm Quinke S.A., headed by Ernesto Quinke.

all large or questionable transactions subject to his approval; and that they are to make inventories of existing stocks and audits on the firms' books dating back as far "as necessary" and return the reports to him.

The Banco Alemán Transatlántico remains under the intervention it has been undergoing since October 12, 1942, which has been effectively enforced by the Bank of the Republic and is to be continued by the same Bank of Republic interventor plus two additional interven-tors (see enclosure 7).⁹¹

The interventors now generally feel they have the backing of responsible authority and have therefore acquired more confidence in the performance of their work, a confidence which they needed to "nose into other people's business". As a rule the intervened firms submitted passively, with the exception of the Staudt and Quincke firms. These firms protested violently when the interventors recently began prodding into confidential matters, but the interventions proceeded by force of the Minister of Interior's orders backed by police.⁹²

The deficiencies which resulted out of the divided responsibility which had previously existed seem to have been remedied.

Respectfully yours,

For the Ambassador:
ROBERT Y. BROWN
Second Secretary

740.33112 RP/8-1045 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, August 10, 1945—5 p. m.

[Received 5:30 p. m.]

520. Bill on elimination Axis firms (despatch 6151, August 1⁹¹) was presented to Congress last night without change. Intervention is being enforced effectively and will probably lead to liquidation of many firms before enactment bill.

DAWSON

740.33112 RP/8-1045

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 6194

MONTEVIDEO, August 10, 1945.

[Received August 21.]

SIR: I have the honor to refer to the Embassy's despatch no. 6151 of August 1, 1945⁹¹ entitled "Economic Security Controls; Transmitting

⁹¹ Not printed.

⁹² A footnote in the original at this point related to friction between interven-tors and an intervened firm.

Copy of Proposed Bill on Liquidation of Axis Firms and Decree on Attachment of Proclaimed List Wool, with Embassy's Comments", and to Embassy's telegram no. 520 of August 10, 5 p. m., 1945.

The above bill was presented to Congress late August 9, accompanied by a message subscribed by the Ministers of Foreign Affairs, Interior, and Finance, a copy of which is enclosed.⁹⁵

The interventions decreed by the Government (reported in Embassy's despatch no. 6034 of July 9, 1945 entitled "Economic Security Controls; Transmitting a Résumé of Present Stages of Replacement Program in Uruguay") are now being energetically and practically enforced:

[Here follows a description of blocking measures and controls over purchases, sales, and withdrawals.]

Respectfully yours,

For the Ambassador:
ROBERT Y. BROWN
Second Secretary

833.00/9-545 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTVIDEO, September 5, 1945.

[Received September 18—7 p. m.]

A-303. Reference my political airgram no. 302, September 5, 1945 : ⁹⁵

Unless and until unsatisfactory political and general situation set forth in airgram under reference and in previous airgrams is remedied, I can see little likelihood that Government's bill providing for liquidation of Axis spearheads (Embassy despatch no. 6151, August 1,⁹⁵ and despatch no. 6194, August 10, 1945) will be enacted. No progress has been made thus far in Congress, and it is reported that Foreign Minister Serrato is not disposed to press measure. However, in present political situation, Serrato's attitude is not an important factor, at least as long as his forthcoming separation from Cabinet is generally anticipated. Regardless of any action by Serrato or Executive, favorable legislative consideration is out of the question pending settlement of Cabinet crisis and favorable action is extremely doubtful unless President succeeds in solving Cabinet problem in a manner which will assure administration adequate congressional support.

DAWSON

⁹⁵ Not printed.

740.33112A/10-345

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 6408

MONTEVIDEO, October 3, 1945.

[Received October 15.]

SIR: I have the honor to refer to the Department's instruction no. 2591 of August 2, 1945,⁹⁶ enclosing a memorandum approved by the Interdepartmental Committee on Proclaimed List stating the criteria to be used in selecting the names which will constitute the hard-core to which the Proclaimed List will eventually be reduced, and a numbered copy of the Proclaimed List, comprised of Revision IX and Supplement 4, pertaining to Uruguay.

There is transmitted herewith a suggested classification of the Proclaimed List for Uruguay . . .⁹⁷

The Department was informed by this Embassy's telegram no. 539 of August 21, 1945, that a bill containing the necessary legal authority for the carrying out of a replacement program by the Uruguayan Government was pending before Congress and would probably come up for consideration in September; that, since an immediate reduction of the List for Uruguay would prejudice the likelihood of the implementation of a control program, the Embassy recommended that the proposed reduction in the List for Uruguay be stayed until October.

The Embassy's airgram no. A-321 of September 25, 1945⁹⁸ informed the Department that the replacement program bill had been scheduled by the Uruguayan Congress for consideration in October and that information available indicated that the bill would be approved by a substantial majority, notwithstanding anticipated opposition on the part of the representatives in Congress of the Herrerista Party.

Nothing has occurred to cause the Embassy to believe that the bill will not be eventually passed by Congress, but the situation has been complicated by all members of the Cabinet having tendered their resignations to President Amezaga on September 26, and the present difficulties confronting the President in resolving the problem. Although the proposed replacement program is not a contributing factor

⁹⁶ Not printed.

⁹⁷ Not printed. The classification included five categories: I, spearhead firms and their personnel, publicly identified with the enemy; II, personnel of Proclaimed List firms listed primarily for cloaking activities; III, firms owned or controlled from Italy; IV, firms liquidated or sold to satisfactory purchasers; V, firms to be deleted when mass deletions became feasible or on a case by case basis in certain circumstances.

to this political crisis, it is almost inevitable that the latter will delay implementation of the program.

It follows that it is not at all certain that the replacement program in Uruguay will have made sufficient progress by November to justify mass deletions. A prematurely radical reduction of the List for Uruguay would undoubtedly be construed as evidence that the United States and the United Kingdom are no longer interested in the final accomplishment of those economic and political objectives toward which this particular phase of our economic warfare program was directed during the period of armed hostilities.

In the light of these circumstances the Embassy recommends that the Interdepartmental Committee withhold approval of mass deletions as such from the List for Uruguay until Uruguay's replacement program is further advanced. In the meantime, it is thought that it would be both practicable and desirable to continue on an individual basis deletions and additions by means of periodic supplements. It is anticipated that at least some firms owned or controlled from Italy will qualify for deletion shortly. In addition to these and the names included in Category IV of the attached classification, there are quite a few names under Category V which the Embassy believes are now qualified for deletion on their merits.

Respectfully yours,

For the Ambassador:
ROBERT Y. BROWN
Second Secretary

740.33112 RP/11-2345 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, November 23, 1945.

[Received November 29—1:39 p. m.]

A-387. The Congressional special session scheduled for November 21 (see despatch 6610, November 15, 1945⁹⁹) to consider replacement bill (see despatches 6151, August 1, 1945⁹⁹ and 6194, August 10, 1945) was canceled at last moment. Reasons: In committee meeting November 20, Herreristas aggressively raised question of unconstitutional delegation of broad powers to Executive (mentioned on page 9 despatch 6034, July 9, 1945¹) attacking proposed authorization to executive to cause liquidation of certain established commercial firms on his own discretion and initiative, on his own determination, and on "information" solely obtained by him (see despatch 6151 above). (Embassy

⁹⁹ Not printed.

¹ This part of the despatch not printed.

had pointed out procedures used by other Republics but, as reported on page 9 despatch 6034, had stressed it was up to Uruguay to determine which are the means to be employed under their constitutional system.) Pro-Government leaders handling the bill in Congress considered it politically dangerous at this time to carry the debate to floor of House with Herreristas having some reason and logic on their side; they therefore decided to call in the Ministers of Foreign Affairs and Interior to discuss possibilities of modifying the bill through a more defensible formula.

On November 21, the Ministers and the committee discussed the issue of whether liquidation is to be effected through judicial process or by administrative determination. Both Ministers are opposed to judicial process; they feel the administrative procedure will prevail, with the concession of giving the Axis firms recourse to the courts. They also feel all political factions except Herreristas will vote *aye* to liquidate said firms.

Another Ministers-committee meeting is scheduled for November 26. Ministers express the hope that definite formula will be approved by committee then and submitted to the House in immediately called special session for a vote. Embassy considers this problematical but will report developments.

DAWSON

462.00R/12-845

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 6689

MONTEVIDEO, December 8, 1945.

[Received December 19.]

SIR: I have the honor to refer to the Department's circular airgram of October 9, 1945, 9:35 a. m.,² requesting, on the basis of presently available information and without consulting the local authorities, estimates of German assets within Uruguay and of the amount of reparation claims which are likely to be presented by this country.

Under the circumstances detailed below, the following general estimates may be advanced:

German Assets in Uruguay	US\$ 10-20 Million
Uruguayan Claims	2-7 Million

GERMAN ASSETS IN URUGUAY

No distinction has been made between "German External Assets" (herein considered as owned or controlled from Germany) and assets owned and controlled by Germans outside Germany including Ger-

² Not printed.

mans in Uruguay. No such distinctions are made by the Uruguayan Government which is definitely inclined to base any measures against property on the question of *guilt* on the part of the owner (i.e. close relationship with Nazis or pro-Nazi and anti-National activities) rather than on his residence, citizenship or ideology. Examples of this feeling are the interventions of Ernesto Quincke, S.A., wholly owned by native-born descendants of Germans; of Eugenio Barth & Cia., substantially owned by persons in similar circumstances; and of Staudt & Cia., substantially owned by German-born, Argentine-naturalized citizens. The Government considers these firms Axis-tainted and therefore proper subjects for investigations directed toward possible liquidation.

If (1) the Uruguayan Congress passes the pending replacement bill authorizing the Government to take these liquidatory measures³ and (2) evidence and information substantiate cases of guilt against said firms, or any others, the Government is likely to consider their assets, or the proceeds therefrom, as available for its own reparation claims and the excess, if any, for the claims of the United Nations provided future Inter-American Conferences provide the necessary legal basis therefor.

On the other hand, assets situated in Uruguay which are owned or controlled from Germany whose owners are not individually charged with pro-Nazi activities are not likely to be the subject of expropriation or liquidation. In these cases, if the high-level policy is to call in these assets or their converted value into Germany, it appears certain that the Allied Group Control Council will have to do it. The local Government would not oppose the flight of this capital from Uruguay if the owners ordered its transfer to Germany under the directions of the Control Council; past experience has shown a ready willingness on the part of Uruguay to take a passive attitude when such an attitude helps the Allied Economic Warfare Program.

Respectfully yours,

For the Ambassador:
EDWARD J. SPARKS
Counselor of Embassy

DISCUSSIONS BETWEEN THE UNITED STATES AND URUGUAY ON PETROLEUM AND LINSEED OIL PROBLEMS

[Documentation on these subjects for 1945 is filed in the Department under 833.6363 and 835.6363. For previous documentation on petroleum problems, see *Foreign Relations*, 1944, volume VII, pages 1628 ff.]

³ Action on the replacement bill appears to have been indefinitely suspended.

VENEZUELA

CONSULTATION CONCERNING AND RECOGNITION OF THE VENEZUELAN REVOLUTIONARY JUNTA

831.00/10-1845 : Telegram

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

CARACAS, October 18, 1945—4 p. m.

[Received 9:15 p. m.]

932. Garrison at San Carlos barracks Caracas revolted about 2 hours ago and there has been intermittent firing there. Rebels have possession of President's¹ residence at Miraflores. They are led by young officers none above rank of major of whom ringleader appears to be Major Velasco who says he will issue manifesto at 7:00. Apparently are not pro-Lopez but want free and fair elections. It is reported that Lopez Contreras² went to Miraflores to see President and was seized by rebels. Impossible to confirm this and rumor of uprising of Maracay Garrison[;] Medina and aides toured other barracks and are said to have received assurances of loyalty. He has taken refuge in police headquarters. Loyal troops National Guard and police mobilized downtown to proceed against San Carlos Garrison which has been given ultimatum.

CORRIGAN

831.00/10-1945 : Telegram

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

CARACAS, October 19, 1945—noon.

[Received 1:44 p. m.]

941. Ambrosio Plaza San Carlos and La Planta barracks latter at foot of Embassy Hill and police headquarters have surrendered to Rebel Army forces and civilian members of movement. Rebel forces seem to have full control of city although there is spotty firing described by them as cleaning-up operations. I am informed that President Medina and Cabinet left house of Minister Public Works³

¹ Isaias Medina Angarita, President of Venezuela.

² Gen. Eleázar López Contreras, former President of Venezuela.

³ Manuel Silveira.

at 11:00 to surrender. Rebel leaders claim surrender completed. Excited shouting mobs forming but Rebel leaders state they are taking steps to maintain order.

CORRIGAN

831.00/10-1945 : Telegram

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

CARACAS, October 19, 1945—3 p. m.

[Received 6:20 p. m.]

943. Embassy caught in heavy cross fire between rebel forces which have taken possession of La Planta barracks and loyal government forces. Government forces in National Guard Academy on either side of [apparent omission]. Many bullets hit Embassy retaining wall and some wall of second story along balcony. In order to avoid danger to personnel and families we telephoned to both units and they agreed to enter into direct negotiations through same means. Organised firing stopped 20 minutes ago but sporadic shots apparently mostly from trigger-happy armed civilians continues. While insurgents have almost completely dominated loyalist resistance in city, situation is critical because of army of thousands of irresponsible civilians who are now roaming the streets shooting and sacking houses of prominent Medinistas.⁴

CORRIGAN

831.00/10-1945 : Telegram

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

CARACAS, October 19, 1945—8 p. m.

[Received 10:28 p. m.]

944. Insurgents in complete command of capital which has quieted with surprising rapidity. Radio announcement that Junta and leaders of AD⁵ are conferring on new Cabinet. President Medina understood to be held at military academy. Some 300 political prisoners held but most expected to be released shortly. This afternoon armed mobs looted and burned in country club Campo Alegre el Paraiso and other better class residential districts. Activities were largely directed against high officials of Medina Government and most others were unmolested. Houses of Foreign Minister,⁶ Chief of Staff,⁷ ex-Foreign Minister Parra-Perez, etc., as well as Club Paraiso and leading night spot Trocadero completely gutted. General

⁴ Followers of President Medina.

⁵ Acción Democrática.

⁶ Gustavo Herrera.

⁷ Manuel Moran.

tire factory looted, extensive sacking at new housing project El Silencio because of its association with Medina. Insurgent regime made belated efforts to stop looting by sending out groups of police under army officers now broadcasting (all stations are in its hands) appeal to civic sense of its supporters to stop sacking, return to their homes and turn in arms and requesting liquor dealers to close bars. With considerable evident success soldiers sent out in trucks to collect arms. Civilians were armed by insurgents in early stages when success was uncertain, arms also distributed by police and more fell into civilian hands in confusion when San Carlos barracks surrendered under air force bombardment. Army forces are scattered throughout center of city and civilians off streets but suburbs not yet under similar control. Many refugees in foreign missions including Mrs. Medina, Ministers of Foreign Affairs and Education. Censorship lifted as soon as insurgents got control downtown and press agencies can now transmit freely. Embassy again hit many times by rifle and machine-gun fire in renewed fighting after my 943, October 19, 3 p. m. but nobody hurt here and loyal National Guard group, reduced to only 20 or 30, surrendered or fled after their redoubt was practically destroyed. No reports from far western or eastern Venezuela except telegram from Consul Maracaibo this morning to effect everything quiet but local troops mobilized last night. Still occasional shots but appear to be of exuberant civilians firing in air and things are far calmer than for 29 hours.

CORRIGAN

831.00/10-2045: Telegram

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

CARACAS, October 20, 1945—4 p. m.

[Received 6:30 p. m.]

948. As result of new burst of firing at 9 a. m., from La Planta barracks in which wall foot above my wife's bedroom door was hit I sent Dawson^{*} to Miraflores to demand from Junta that their men be kept from using Embassy as shooting gallery. Betancourt, President of Junta, gave assurances and apologies as had already been done by Mayor who had just arrived to take command of La Planta. Aside from that flurry and occasional individual shots city was quiet this a. m.

Heavy rifle and machine-gun fire has just broken out in center of city and apparently suburbs toward Avila Mountain range, this seems to be result of infiltration of armed Communists and perhaps National Guardsmen. Handbill of Communist Party calling on people to over-

^{*} Allan Dawson, Counselor of Embassy.

throw "insurrectioners captained by Lopez Contreras" has been circulating since yesterday. Junta radio has just broadcast order to populace to stay off streets.

Full corrected list of Junta: Romulo Betancourt, Major Carlos Delgado Chalbaud, Captain Mario Vargas, Raul Leoni, Gonzalo Barrios (in charge Government Federal District), Luis Beltran Prieto, Edmundo Fernandez.

Three point programme announced: (a) fair elections (b) reduction in cost of living (c) punishment of thievery in recent governments. Betancourt told Dawson Junta intended to have Medina, some of his higher officials and Lopez Contreras tried by special tribunal for their crimes in office and to call elections for President and Congress "to function under new constitution" in April. None of Junta would be eligible.

Junta claims to have all east and south Venezuela under control and west as far as Barquisimeto and this is confirmed by independent sources. It also claims to have offer of surrender from Jurado, President of Falcon, if safety himself and family guaranteed and that Tachira Merida and Trujillo have come around after some doubt. This is contradicted by fact that Junta radio is still broadcasting appeals to Falcon Zulia and three Andes States to join "national movement on foot." Maracaibo seems definitely in hands of Medina supporters under President Cuenca and Military Commander. There is evidence that General Lopez Henriquez, Military Commander, Tachira, is still loyal to Medina.

We will, of course, be careful in any contacts we may have to have with Junta to make them on informal personal not official basis.

So far as we can ascertain no Americans have been injured.

CORRIGAN

831.00/10-2145: Telegram

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

CARACAS, October 21, 1945—9 a. m.

[Received 12:05 p. m.]

953. Fighting mentioned in second paragraph 948 was caused by attack on rebel headquarters at Miraflores by elements of National Police and detachment of cavalry loyal to Government reenforced by four truckloads of armed Communists who seized block of El Silencio housing project nearest to Miraflores and El Calvario Church about 200 yards from Miraflores. Prior to attack automobiles filled with their men dashed through center of town spraying with automatic rifle fire. As streets were full number of innocent bystanders were killed and injured. Junta mobilized armored cars brought from Maracay and planes dropped 20-pound fragmentation bombs on at-

tackers. Attack was repulsed and attackers driven off by nightfall. Sudden heavy rainfall helped dispersion.

This morning everything is again quiet except for usual occasional single shots. Churches open for services and street cars running. Mass meeting of workers called by Junta at 10 a. m.

Women and children of US Military Mission at Maracay evacuated yesterday by air to Curaçao in Mission plane. Officers and men ordered to remain in Hotel Jardin. US Naval Mission has withdrawn from Naval School and is in Caracas.

CORRIGAN

831.00/10-2145 : Telegram

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

CARACAS, October 21, 1945—9 a. m.

[Received 11:59 a. m.]

954. First decree of revolutionary Junta issued last night may be summarized:

Revolutionary Junta of United States of Venezuela decrees:

1. National judicial system and laws are maintained.
2. Junta composed of seven members signing this decree assume executive power of nation.
3. President of Junta Romulo Betancourt.
4. Junta will issue decree law establishing electoral procedure to give truly democratic constitution to people of Venezuela.
5. Junta will turn over authority and render account to Government legally constituted by free election.

Signed by Junta listed in my 948.

CORRIGAN

831.6363/10-2345 : Telegram

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

CARACAS, October 23, 1945—10 a. m.

[Received 5:42 p. m.]

969. Mytels 966, Oct. 22, 5 p. m., and 968, Oct. 22, 6 p. m.^{8a} Three oil company heads, when informing colleagues results their meeting with Junta, said that desiring continue operating, they felt it wise to be realistic and talk with Betancourt, who is in driver's seat, and with remainder group actually exercising power. They added other interests adopted same attitude since representative groups of bankers and merchants also visited Betancourt.

They received impression Junta will be realistic and that no change contemplated in oil law and concession contracts but that party in

^{8a} Neither printed.

power, deriving large support from labor, will have to pay off such support and that oil companies must expect to foot bill. They feel, therefore, be wiser concede everything reasonable at once instead have measures forced on them later, including collective contracts they would have opposed had things not changed.

One company head took pessimistic view responsibility, honesty provisional leaders and felt counter-revolution might take place. He found little echo of such feeling.

CORRIGAN

831.00/10-2345: Telegram

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

CARACAS, October 23, 1945—2 p. m.

[Received October 23—12:20 a. m.]

964. Cuban Chargé d'Affaires⁹ called this a. m. accompanied by Dominican Minister¹⁰ and suggested advisability of having informal meeting of American members of Diplomatic Corps to exchange information with particular regard to protection of Diplomatic Missions and problem of persons who have taken asylum in them. Dominican Legation was broken into by mob in absence of Minister but dispersed shortly by Junta troops. Colombian Chargé¹¹ also understood to have experienced some incident.

I expressed my accord with idea and readiness to meet anywhere convenient to colleagues. Cuban suggested this Embassy as I am ranking representative of American Republic and said he would telephone American colleagues who will thus meet here informally today at 5 p. m. Argentine will not be present. Some invitations were actually made by Dominican which is unfortunate because of announcement of Junta of its antipathy to Trujillo¹² (penultimate sentence my telegram 958¹³).

One reason adduced by Cuban for informal meeting was reluctance of Nuncio¹⁴ as Dean to call meeting of Corps. After American consultation arranged, Nuncio called Corps meeting for 11 a. m. tomorrow but in view arrangements already made it seemed preferable not to cancel former.

CORRIGAN

⁹ Horacio A. Martínez Franque.

¹⁰ Rafael Matos Díaz.

¹¹ Andres Augusto Fernandez.

¹² Rafael Leonidas Trujillo, head of the Dominican Republic.

¹³ Not printed.

¹⁴ Guiseppe Misuraca.

831.01/10-2345 : Telegram

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

WASHINGTON, October 23, 1945—4 p. m.

687. For Depts guidance in considering possible recognition please telegraph urgently without any approach to Junta your opinion on following points:

1. Does revolutionary Junta have *de facto* control of machinery of Government and of country?
2. Does it enjoy general support without active opposition?
3. Has it declared its intention to fulfill existing international obligations and is it able to do so?

We would also appreciate brief biographic analysis of members of Junta Cabinet, without waiting for full form data, as well as any additional comments you may care to make on general situation.

BYRNES

831.01/10-2445 : Telegram

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

CARACAS, October 24, 1945—noon.

[Received 7:59 p. m.]

981. Following submitted in reply to questions raised in Deptel 687, October 23, 4 p. m.:

1. Yes.
2. Without active opposition at present. Potential opposition if organized could be powerful. Key to this may be treatment accorded to Lopez Contreras who is still held a prisoner.
3. Designated Foreign Minister¹⁵ has so stated in press interview.

Biographic analyses will follow shortly.

Policy of watchful waiting and consultation with other American Govts rather than immediate action seems indicated.

There is no reason to believe that our interests are adversely affected by change in Govt. Leaders of American industry are making their own informal contacts and emergency arrangements with Junta.

CORRIGAN

831.00/10-2445 : Telegram

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

CARACAS, October 24, 1945—6 p. m.

[Received October 24—12:08 p. m.]

982. I have just received note from Morales informing me that as result of revolutionary movement which overthrew government pre-

¹⁵ Carlos Morales.

sided over by General Medina, Junta of government, giving names, presided over by Betancourt has been formed; that as soon as circumstances permit Constituent Assembly to reform Constitution to provide for direct and secret elections for presidency will be called; that no members of Junta will be permitted to be candidates; that authority of new government is consolidated throughout country and conditions are normal; that he is addressing me in his capacity as "Encargado" of Ministry of Foreign Affairs to which post he has been appointed by revolutionary Junta of government; that he has asked Venezuelan Embassy in Washington in view of democratic and popular character of new government and its firm intention to comply with international obligations entered into by the Republic to request recognition by our Government; and that he is confident that that (*que esa*) Embassy will lend its valuable cooperation for this purpose.

My colleagues have received similar notes.

CORRIGAN

831.00/10-2445 : Telegram

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

CARACAS, October 24, 1945—7 p. m.

[Received 11:13 p. m.]

984. My telegram 964, October 22 [23], 2 p. m. During meeting of Diplomatic Corps called yesterday by Nuncio, acting as Dean, it was decided to let Junta know Corps had met and that result of deliberations was available at Nunciature if Foreign Office representative cared to call.

Memorandum handed to representative who called on Nuncio today summarized results of Corps meeting: Nuncio to let "whom it may concern" know that (1) irresponsible persons had appeared at some missions and entered Dominican Legation taking certain objects (silverware) therefrom; (2) in regretting this occurrence Corps noted with satisfaction that apology had been made; (3) Corps is interested in solution of problem of refugees in missions, in harmony with appropriate international conventions signed by Venezuela; and (4) while Corps recognizes general situation as of present offers no cause for apprehension, appreciates protective measures taken at missions which granted refuge or might need protection for other reasons. There was a general agreement among the members of the Corps to avoid carefully any act which might be construed as recognition pending developments.

CORRIGAN

831.01/10-2545: Circular telegram

The Secretary of State to Diplomatic Representatives in the American Republics

WASHINGTON, October 25, 1945—9 a. m.

- (1) This Govt has received reports from Corrigan indicating that (1) the seven man Junta in Venezuela is in control of that country; (2) that it enjoys general support without active opposition and (3) that it intends to fulfill its international obligations.

(2) As reports reaching us indicate no threat to the hemisphere nor any pro-Axis inspiration in the Venezuelan Junta revolutionary movement, accordingly the Junta Govt in Venezuela appears to deserve recognition.

(3) In accordance with Resolution XXII of the CPD¹⁶ you are requested to consult with the Govt to which you are accredited (except Argentina) and if its views are in agreement with our own with respect to paragraph 2, this Govt proposes that the present Govt of Venezuela be recognized at a comparatively early date.

(4) Please endeavor to have reply of your country here by Thursday November 1 in order that a date for recognition may be fixed immediately thereafter. We shall be glad to communicate the date to the other American republics in advance thereof, in case they desire to act simultaneously with us.

This message sent to Caracas for information only.

BYRNES

831.01/10-2645

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

[Extracts]

No. 27,034

MEXICO, October 26, 1945.

[Received October 31.]

SIR: I have the honor to acknowledge the receipt of the Department's circular instruction of October 25, 9 a. m., with reference to the recognition of the new government in Venezuela and instructing me to convey the substance of the telegram to the Mexican Government and to request its reply, if possible, before November 1, concerning its attitude on recognition of the new government.

¹⁶ The Emergency Advisory Committee for Political Defense. Resolution XXII recommended that recognition of a new government established by force be preceded by consultation among the American Republics; for text, see The Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 79.

Immediately on the receipt of this instruction this morning, a memorandum was prepared covering the substance of the Department's telegram under reference and a copy of which is transmitted herewith (enclosure 1).¹⁷ I called at the Foreign Office and saw the Under Secretary, Dr. Tello,¹⁸ to whom I read the appended memorandum.

Under Secretary Tello said that he had just left the office of the Minister, Dr. Castillo Nájera, who had just received the visit of the Venezuelan Ambassador to Mexico.¹⁹ . . .

The Foreign Minister stated to the Venezuelan Ambassador that he had taken due note of the statement of the Venezuelan Government to the effect that it intended to maintain all of the inter-American and international obligations of Venezuela and had taken due note also of the desire of the Venezuelan Government to continue friendly and normal relations with Mexico. In view of these statements and conditions the Minister said to the Venezuelan Ambassador that he would be very happy to send to the Mexican Ambassador in Caracas²⁰ instructions to the effect that in accord with the Estrada Doctrine²¹ he could continue normal contact with the Venezuelan Government. The Minister, Dr. Castillo Nájera, also informed the Ambassador that he would make a statement to the press to the foregoing effect some time during the day.

Dr. Tello remarked to me that the foregoing action of the Mexican Government was not intended as any deviation from the process of consultation among the American States in matters of this kind. He said that when the Mexican Government had agreed to resolution 22, it was with the understanding that it had its own doctrine with respect to recognition known as the Estrada Doctrine. He went on to say that in view of the visit of the Venezuelan Ambassador and the situation as presented above, the Mexican Government had no recourse except to indicate that it would continue normal relations with the new government, especially as it had no reason to withdraw or to interrupt such normal contact with the Venezuelan Government under the known circumstances. He was particularly emphatic in making clear that this did not indicate any deviation from the practice of Mexican collaboration in the collaborative procedure among the American States.

¹⁷ Not printed.

¹⁸ Manuel Tello.

¹⁹ José Abell Montilla.

²⁰ Ernesto Soto Reyes.

²¹ Doctrine concerning recognition set forth by the Mexican Minister for Foreign Affairs in 1930. See Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

I thanked Dr. Tello for the information which he had given me which I said I would immediately convey to my Government, and which under the circumstances could be considered as the answer of the Mexican Government to my memorandum herewith transmitted.

I was able to communicate the substance of the foregoing to Mr. Carrigan of the Mexican Division in the Department by telephone as I wished this information to be there, and I conveyed it by telephone in order to be sure it would be in the Department before any statement is made by the Foreign Minister here to the press.

Respectfully yours,

GEORGE S. MESSERSMITH

831.01/10-2745 : Circular telegram

The Secretary of State to Diplomatic Representatives in the American Republics

WASHINGTON, October 27, 1945—8 a. m.

This Govt after consultation and exchange of information with the other American republics has received no reports indicating pro-Axis inspiration for the recent change of govt in Venezuela. In view thereof and the fact that the new Venezuelan Govt is in control of the country and has announced intention to fulfill its international obligations Ambassador Corrigan is now being instructed to present a note to the new Venezuelan Minister for Foreign Affairs on Tuesday, October 30 extending recognition.

You are requested immediately to advise the FonMin of country to which you are accredited except that Chiefs of Mission in countries where unilateral action has been taken²² are authorized to use their own discretion in informing the FonMin of this action.

Sent to Caracas and Buenos Aires for information only.

BYRNES

831.01/10-2745 : Telegram

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

PORT AU PRINCE, October 27, 1945—noon.

[Received 2:32 p. m.]

346. I have just handed to Foreign Minister²³ a note giving substance of Depcirtel Oct. 25, 9 a. m., concerning recognition of Venezuelan Junta. Mr. Lescot stated that his Govt had received favorable reports from its representatives at Caracas. It has also received a

²² Cuba, Ecuador, Bolivia, Haiti, Guatemala, Uruguay, Paraguay, and Mexico. The Dominican Government had stated that it would refrain from recognition at this time because of an attitude of hostility toward the Dominican Government on the part of the Venezuelan Junta (831.01/10-2645).

²³ Gerard Lescot.

request for immediate recognition apparently emanating from the Venezuelan authorities transmitted through the Venezuelan Minister to Haiti who resides in Habana. In view of the special relations of friendship which have long existed between Venezuela and Haiti the Haitian Govt has decided not to associate itself with a joint recognition but to accord recognition individually and separately during the afternoon of Oct. 27.

WILSON

831.6363/10-2745

Memorandum of Conversation, by the Chief of the Division of North and West Coast Affairs (Flack)

[WASHINGTON,] October 27, 1945.

Participants: Señor Don Arturo Lares of the Venezuelan Embassy
Señor Dr. Don Pedro Aguerrevere of the Venezuelan Embassy
NWC—Mr. Flack

Señor Lares came in this morning to ask informally and personally how matters re possible recognition were going. I said we had received replies from about a dozen of the American republics and that probably by early next week we would have the rest of them in and we could then see where we stood.

I took advantage of the presence of Lares to refer to the question of the attitude of the new group in Venezuela toward the petroleum industry and its existing contracts under the 1943 law. Lares said he firmly believed that all such contracts would be honored scrupulously. I mentioned that we were considering for the purpose of clarity in this matter, asking Dr. Corrigan to have a personal and informal talk with Señor Betancourt as soon as possible to get an oral expression of his views on the matter, which I felt would be a great contribution to the economic relations between Venezuela and the United States, which are very important in both directions. Lares then called Pedro Aguerrevere on the phone and asked me to speak with him. Aguerrevere, although nominally Financial Counselor, is also in effect a petroleum counselor and handles such matters in the Embassy. I have known him several years and was well acquainted with him in Caracas and I spoke very frankly to him suggesting the desirability, for future understanding, of having the views of Señor Betancourt clarified informally and orally at this time. He said he favored such a frank discussion now, while holding the opinion that all contractual agreements are valid. He said he personally considered that the 1943 petroleum law was adequate, but that of

course the new Government might pass a new law and that if any adjustments were necessary these could be made in a friendly manner. Both men insisted that as far as they knew no drastic action is contemplated in Venezuela with regard to the petroleum companies.

Señor Lares said he would advise Señor Betancourt by cable that Dr. Corrigan might seek an informal conversation with him, with no implication of recognition, to secure his views orally on the matters we had discussed.

The tenor of my remarks to Lares and Aguerrevere throughout was that we do not anticipate infringement of the 1943 law but feel that perhaps frank discussion now may obviate a lot of misunderstanding in the future. The conversation was on a most friendly and unofficial basis and predicated on the knowledge of both men of my own friendly sentiments toward Venezuela.

831.6363/10-2745 : Telegram

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

WASHINGTON, October 27, 1945—2 p. m.

696. Drake and Hamilton of Gulf ²⁴ called here this morning urging in interests of their industry the obtaining if possible of some assurance from Betancourt that basic principles 1943 petroleum law such as royalty, surface tax etc. and existing concessions under this law would not have to be renegotiated. He referred to role of our Govt encouraging companies to negotiate in drafting of new law of which you are aware and urged this as justification for assurances of no change in basic principles 1943 law.

Please endeavor informally and orally to obtain from Betancourt oral assurances in sense hoped for by Gulf, which we consider justified and in interests of whole industry. Brit Emb informed of this contemplated informal approach and London may similarly instruct Brit Ambassador Caracas.²⁵

This matter is very urgent and your approach should not be construed as an implication of recognition, there being due precedent for prior informal contact.

Our position is that we do not anticipate any infringement of the 1943 law. Foregoing has been discussed personally with Lares and Pedro Aguerrevere by Flack and Lares is advising Betancourt of your impending oral and personal discussion.

BYRNES

²⁴ J. F. Drake and C. W. Hamilton, President and Vice President, respectively, of Gulf Oil Corporation.

²⁵ Sir George Ogilvie-Forbes.

831.01/10-2745: Telegram

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

WASHINGTON, October 27, 1945—5 p. m.

697. You are requested to address a note to the new Venezuelan FonMin for presentation Tues, Oct 30 extending recognition of the new govt.

BYRNES

831.01/10-2745: Telegram

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

CARACAS, October 27, 1945—8 p. m.

[Received 11:26 p. m.]

1006. Respectfully invite Department's attention to recommendation in my telegram 981, October 24, noon, that policy of watchful waiting seemed indicated on question of recognition. Reiterate my belief that precipitate action might be regrettable. My reasons do not relate to good intentions of regime but to doubts as to its cohesion which may be clarified within few days. It is my impression that revolution has received more favorable press abroad than it deserved when its methods rather than objectives are considered and that we may be letting ourselves be rushed.

CORRIGAN

831.6363/10-2845: Telegram

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

CARACAS, October 28, 1945—5 p. m.

[Received October 29—5:30 p. m.]

1009. Minister Fomento,²⁶ in signed statement delivered to local representative *Oil and Gas Journal* and cabled to Tulsa today for publication Thursday, said when any govt came into power other than through constitutional processes all constitutional rights and laws invariably were suspended, but that in Junta's first decree the *de facto* govt announced its intention to respect all laws. This applied, of course, to all except those which interfered with administration of authority. He added Junta could not upset national economy by disturbing capital or industry, recognized need of foreign capital and stated Junta will not touch oil law, concessions or contracts and has no intention of nationalizing or expropriating industry. As reported my telegram 968, October 22, 6 p. m.,²⁷ Minister

²⁶ Juan Pablo Perez Alfonso.

²⁷ Not printed.

Fomento and Betancourt informed Creole, Gulf, Shell heads that, if it is found government is receiving share provided by 1943 oil law, they will be satisfied. In statement to *Oil Journal*, representative [of] Minister reiterated same thing, i.e., Junta is interested only in ascertaining that royalty payments are honestly calculated. Creole head,²⁸ consulted by *Journal* representative in drafting statement for Minister's signature, considers it eminently satisfactory. In view foregoing, it is not deemed advisable or necessary approach Junta, as suggested in Department's telegram 696, October 27, 2 p. m., since sufficient assurances already have been given by it that 1943 law will be respected. To do so might give impression that decision respecting recognition was being influenced by factors outside those related to usual US practice. Local heads principal producers satisfied with reassurances received. There have been accusations from Left fringe that "delay" in recognition was being caused by oil company influence. Consequently approach by Embassy before recognition might well produce reaction unfavorable to industry. What matters is intention of Junta, not its promises which could and doubtless would be broken in stress.

Conversations before revolution with Betancourt show he is fully cognizant that Venezuelan position in post-war world oil industry depends upon its ability to compete on even terms with lower cost Near Eastern fields. He is also astute enough to realize hopes of putting into effect its economic and social program upon which its popular support relies depend upon oil revenues. There is every reason to expect that Betancourt appreciates Junta's basic interests are thus similar to those of oil companies and that he will treat them with kid gloves unless pressure from labor becomes too great. Of course, Embassy expects that controversies between companies and Junta on labor matters, taxes, and other details will arise but what we are now concerned with is basic structure of their relations.

CORRIGAN

831.01/10-2945 : Telegram

The Secretary of State to the Chargé in Argentina (Cabot)

WASHINGTON, October 29, 1945—1 p. m.

1519. Argentine Chargé²⁹ informed Braden³⁰ he had instructions to ascertain US attitude re recognition of new Venezuelan regime since his Govt desired to follow same course. Braden stated Dept was favorably disposed to accord recognition after consultation with other American republics.

²⁸ Arthur T. Proudft, President of Creole Petroleum Company of Venezuela.

²⁹ Luis S. Luti.

³⁰ Spruille Braden, Assistant Secretary of State.

In view of this consultation please inform FonMin immediately of substance of first paragraph of Depts cirtel Oct 27, 8 a. m.

BYRNES

831.6363/10-2945

Memorandum of Conversation, by the Chief of the Division of North and West Coast Affairs (Flack)

[WASHINGTON,] October 29, 1945.

Participants: Mr. Harden, [Vice] President of Standard Oil Company of New Jersey
Mr. Prioleau, Vice President of Standard Oil Co. of N.J.
Assistant Secretary Braden
NWC—Mr. Flack

Mr. Harden explained to Mr. Braden that notwithstanding the favorable reports he had received from Proudfit, President of the Creole Petroleum Company of Venezuela, to the effect that Proudfit thought that the new regime would be well disposed toward the petroleum industry, he felt that it would be desirable to obtain some further assurances. Mr. Braden explained that it would be next to impossible to employ such a question as a club in granting recognition. Mr. Harden then suggested that it would be very helpful if on an early occasion Ambassador Corrigan might express his thanks and appreciation for the assurances which had emanated from various elements in the Junta with regard to the petroleum industry. Mr. Braden said that this suggestion would be complied with.

In making these observations Mr. Harden adverted to the conversations between Mr. Welles (former Under Secretary of State) and officials of his company when the 1943 law was under consideration and the interest which the Department had then shown in establishing good working relations between the companies and the Venezuelan Government.³¹

831.00/10-2845: Telegram

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

WASHINGTON, October 30, 1945—3 p. m.

700. We have discussed at some length with officials of petroleum companies having interests in Venezuela assurances described urtel 1009, October 28, 5 p. m., and we feel it would be helpful if as soon

³¹ For documentation on the interest of the United States in the 1943 law, see *Foreign Relations*, 1943, vol. vi, pp. 807 ff.

after recognition as may be convenient you were to take occasion to thank Señor Betancourt for assurances mentioned.

BYRNES

831.01/10-2745 : Telegram

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

WASHINGTON, October 30, 1945—3 p. m.

701. Reurtel 1006, Oct 27, 8 p. m. In view of increasing indication that number of countries extending recognition to new Venezuelan Govt would rapidly increase over last weekend and possibly place us in position of being last to recognize, thus creating possible prejudice to our interests in Venezuela, and after careful consideration of all factors involved we felt it necessary to inform other Govts in cirtel, Oct 27, 8 a. m., of our decision to extend recognition on Oct 30.

BYRNES

831.6363/10-3145 : Telegram

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

CARACAS, October 31, 1945—1 p. m.

[Received 3:59 p. m.]

1020. Respectfully suggest that no useful purpose would be served by thanking Junta President as suggested in Deptel 700, Oct 30, 3 p. m. So long as relations between oil companies and Junta are good feel that Embassy should keep out of forefront of oil picture.

My own and staff relations with Betancourt range from friendly to intimate. I shall take opportunity to call on him in near future.

CORRIGAN

831.6363/10-3145 : Telegram

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

WASHINGTON, November 1, 1945—6 p. m.

711. Reurtel 1020, Oct 31, 1 p. m. Suggestion made by Dept that you "thank" Betancourt on appropriate occasion derived from consensus of opinion expressed to us by interested companies including Standard President. We agreed with this as convenient way of tying in reported public assurances made.

When you see Betancourt near future same result might be just as effectively secured in any manner you deem adequate in course of your proposed conversation with him.

BYRNES

ENTRY OF VENEZUELA INTO A STATE OF BELLIGERENCY WITH THE
AXIS POWERS AND ADHERENCE TO THE UNITED NATIONS
DECLARATION

740.0011 EW/1-1645: Telegram

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

CARACAS, January 16, 1945—5 p. m.

[Received 9:19 p. m.]

31. Reference Department's 21, January 12, 3 p. m.³² I had a conversation with the Foreign Minister³³ this morning which lasted over an hour and will be resumed tomorrow after he has talked to President Medina.³⁴ Preliminary reaction not unfavorable.

CORRIGAN

740.0011 EW/1-2345: Telegram

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

CARACAS, January 23, 1945—7 p. m.

[Received January 24—12:07 a. m.]

52. I have had several fairly long informal conversations with the Foreign Minister at social gatherings since secret discussion referred to in my telegram 31, of January 16, 3 [5] p. m.

Dr. Parra-Perez has carefully and skillfully parried tentative approaches to the subject in which he knows I am deeply interested. I have thought it best to respect his reticence in view of difficult juridical and political problems involved.

Study of the juridical necessities indicates that congressional approval must be obtained requiring special session which is practically precluded. The regular session begins in April.

CORRIGAN

740.0011 EW/1-2645

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

No. 2924

WASHINGTON, January 26, 1945.

SIR: I refer to the Department's secret telegram no. 21 of January 12,³⁵ concerning the importance of Venezuela's formalizing its status by becoming a member of the United Nations. This matter

³² See telegram 43, January 12, 3 p. m., to Lima, and footnote 1, p. 1312. The telegram pointed out the possibility that those nations not in a state of war with the Axis might not have the opportunity to join the United Nations or participate in the post-war deliberations.

³³ Caracciolo Parra-Perez.

³⁴ Gen. Isaias Medina Angarita.

³⁵ See footnote 32, above.

is taking on added importance and, in order to present the need for early action and make his own stand clear and unequivocal, the President has considered it best to address personal letters in the premises to the Presidents of the six American republics concerned.

The letter addressed to the President of Venezuela is enclosed,³⁶ and you are requested to deliver it immediately to President Medina. A copy is likewise attached for your secret information. Similar presentations are being made at Quito, Lima, Santiago, Montevideo and Asunción.

I wish to underline the fact that the highest importance is attached to Venezuela's taking this step at the earliest possible date. I am confident that you will present the matter urgently and at the same time in its proper perspective.

We have suggested to you the alternative of a declaration of war against either Germany or Japan or both. This was in order to make the action as easy as possible for each of the Republics. We feel, however, that we should call to your attention the much greater dignity which would be attained if Venezuela, which does not front on the Pacific, should include Germany rather than limiting its declaration to Japan. We make this suggestion, not in order to put you in a position where you must reverse any action previously taken but simply for background thinking in case the matter should come up for discussion after your receipt of this.

Please submit a telegraphic report as soon as possible.

Very truly yours,

JOSEPH C. GREW

740.0011 EW/1-2645

*Memorandum of Conversation, by the Assistant Secretary of State
(Rockefeller)*

[WASHINGTON,] January 26, 1945.

Dr. Escalante³⁷ came in and showed me a copy of a letter which he had just received from President Medina which had been written as a result of Ambassador Corrigan's visit concerning the declaration of war. The President was obviously very disturbed about the situation as was the Ambassador. I told him of the letter from President Roosevelt and gave a copy of it to him. He was very pleased and felt it would mean a great deal to President Medina. He said he would communicate with his President in this connection. He saw the importance of the situation not only to Venezuela, but to all the United Nations as a whole.

N[ELSON] A. R[OCKEFELLER]

³⁶ The same, *mutatis mutandis*, as the letter addressed to the President of Chile, printed on p. 758.

³⁷ Diógenes Escalante, Venezuelan Ambassador in the United States.

740.0011 EW/1-2345 : Telegram

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

WASHINGTON, January 29, 1945—1 p. m.

64. Reurtel 52, January 23. Please find an early opportunity to tell the Foreign Minister that April may well be too late. Invitations will have to go out some six weeks before conference ³⁸ convenes.

GREW

740.0011 EW/2-145 : Telegram

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

CARACAS, February 1, 1945—7 p. m.

[Received 11:43 p. m.]

81. I delivered the President's letter (received with Department's secret airmail instruction 2924, January 26) to President Medina at 5:30 p. m. today. He opened it in my presence and then requested me to translate it for him. He was deeply moved and said "It means a declaration of war. I have no power to declare war, only the Congress can do that. I took my stand alongside the United States immediately after the attack on Pearl Harbor and Venezuela has never wavered in its support of the United Nations and particularly of the United States." Following Department's instructions I underlined the matter of Venezuelan interest involved.

President Medina expressed his appreciation of the urgency of the situation and said that he would give his most serious consideration to the determination of Venezuelan position, that he would consult with his Cabinet immediately and make prompt reply to President Roosevelt's letter before leaving for the Sucre Sesquicentennial celebration at Cumaná, February 3.

CORRIGAN

740.0011 EW/2-245

*Memorandum of Conversation, by the Chief of the Division of North
and West Coast Affairs (Wright)*

[WASHINGTON,] February 2, 1945.

Dr. Gómez Ruiz ³⁹ said that he was calling at the request of the Ambassador. He first wished to discuss with me informally and unofficially certain aspects of the President's recent letter to President Medina concerning Venezuela's status in the war. Then he wished to ask me an official question.

³⁸ United Nations Conference on International Organization at San Francisco.

³⁹ First Secretary of the Venezuelan Embassy.

Dr. Gómez Ruiz said that, with the Russians practically at the gates of Berlin and what to his Government seemed the imminent fall of that city, plus the other favorable aspects of the war, at this time Venezuela's declaration of war on Germany would seem undignified and ridiculous. Had the declaration come, for instance, at the time of the German offensive in Belgium, the situation would have been otherwise, but now that the Germans seemed to be on the downhill pull, his Government feared that the action would lack in force and dignity. I explained to him why, in our opinion, the action would be entirely dignified and in no way lacking in force. Certainly it could not be considered ridiculous. Venezuela's action would be a concrete contribution to the winning of the war and the moral force which would come from this action on the part of Venezuela and the other republics would have an important psychological effect. Our conversation on this subject was considerable and I believe that I satisfied him personally on the point.

Dr. Gómez Ruiz then asked his formal question. He said that, if his Government were to decide that it would be "ridiculous" to declare war on Germany, his Government wanted to know whether a declaration on Japan would be sufficient. I told him that, while for psychological reasons (given the situation of Venezuela on the East coast) it would be preferable for the action to be taken against Germany rather than Japan, according to the strict rules a declaration against Japan would suffice. He said that this was a point which his Government wanted to clarify and that he would inform the Ambassador accordingly.

I told Dr. Gómez Ruiz that I could not be more specific with him, but in strict confidence he might like to know that we had reports which indicated to us that two or three other countries might be moving forward rather rapidly in this matter and his Government might want to know this in confidence. He thanked me very much for this information which he indicated would be held strictly secret.

JAMES H. WRIGHT

740.0011 EW/2-1045 : Telegram

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

CARACAS, February 10, 1945—11 a. m.

[Received 3:45 p. m.]

117. Ambassador Escalante came to the Embassy early this morning and informed me in strict confidence that the matter upon which he had come for consultation was favorably resolved yesterday at a meeting of the President and his Cabinet. The formula for action is being worked out and it seems likely that a special session of Congress

will have to be called (see my telegrams Nos. 52, January 23, 7 p. m., and 81, February 1, 7 p. m.) on account of strict constitutional limits to the power of the executive.

CORRIGAN

740.0011 EW/2-1045 : Telegram

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

WASHINGTON, February 10, 1945—10 p. m.

106. It is now practically certain that Peru and probable that Chile ⁴⁰ will take action similar to that taken by Colombia by recognizing the existence of a state of belligerency. The Department was much encouraged by your telegram reporting your conversation with Escalante and is wondering whether with the impending Peruvian and Chilean actions Venezuela might have in mind similar procedure. For your information while the Chilean statement contemplates the use of the term "recognizes the fact of existing belligerency" this matter will after the declaration be submitted to the Congress. This submission to Congress would of course be without prejudice to the validity of the Chilean President's unequivocal statement. It was not clear from your message when the Venezuelan Congress would convene so we would know whether Venezuela contemplates action similar to that taken by Colombia earlier or whether the Government contemplates a straight declaration of war after previous congressional approval. In cases where the Colombian formula ⁴¹ is used we always require the submission to the Department of a confidential note not for publication stating that the "state of belligerency" is equivalent to "state of war".

Please telegraph.

GREW

740.0011 EW/2-1345 : Telegram

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

CARACAS, February 13, 1945—noon.

[Received 3:51 p. m.]

122. The Foreign Minister read to me a telegram that he has just sent to the Venezuelan Chargé d'Affaires in Washington.⁴² It instructs him to communicate to the Department the decision of the

⁴⁰ For documentation on the entry of Peru and Chile into the war, see pp. 1312 ff. and pp. 755 ff., respectively.

⁴¹ For documentation on Colombia's entry into the war, see *Foreign Relations*, 1943, vol. vi, pp. 1 ff.

⁴² Arturo Lares.

Venezuelan Government to adhere to the Declaration of the United Nations ⁴³ with a full acceptance of the consequences implied in that declaration.

For the past several weeks he has been in consultation with the Governments of Chile and Uruguay in an effort to agree on a simultaneous release. Lack of effective mechanism for consultation has been a factor in delay although the Governments are in agreement on principles. He therefore urgently requests that publicity regarding Venezuela's determination be reserved because of the embarrassment that would result in its relations with Uruguay and Chile by separate publication of Venezuela's intention.

CORRIGAN

740.0011 EW/2-1545: Telegram

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

WASHINGTON, February 15, 1945—8 p. m.

122. It is not clear from your recent telegrams what action Venezuela contemplates with respect to entering into a state of war or belligerency. However, the Foreign Office should understand that before Escalante can sign the United Nations Declaration we must have a Venezuelan communication to the effect that Venezuela is "at war."

GREW

740.0011 EW/2-1645: Telegram

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

CARACAS, February 16, 1945.

[Received February 16—2:45 p. m.]

136. Venezuela's official declaration ⁴⁴ of recognition of the existence of state of belligerency between itself on the one hand and Germany and Japan on the other, issued in the *Gazette Oficial* last night, was published as Foreign Office communiqué in all Caracas papers this morning. This declaration states that Ambassador Escalante has full powers to sign document of Venezuela's adherence to United Nations Declaration.

CORRIGAN

⁴³ *Foreign Relations*, 1942, vol. I, p. 25.

⁴⁴ For text of the declaration, see note from the Venezuelan Chargé, February 16, 1945, released to the press February 20, printed in Department of State *Bulletin*, February 25, 1945, p. 292. For reply by the Acting Secretary of State on February 19, remarks by the Venezuelan Ambassador upon signing the United Nations Declaration on February 20, and remarks by the Acting Secretary of State upon that occasion, see *ibid.*, pp. 293-294.

740.0011 EW/3-245

The President of Venezuela (Medina) to President Roosevelt[Translation ^{44a}]

MIRAFLORES, February 22, 1945.

ESTEEMED MR. PRESIDENT: I have read the important letter which you addressed to me with all the interest it merits.

The generous recognition which you make of Venezuela's contribution to the war effort of the democratic countries is profoundly pleasing to my Government.

From the first moment of the war we have adopted a firm and clear position. Two days after the attack on Pearl Harbor I had occasion to state in a public document that Venezuela was at the side of the United States and that she assumed in full all the obligations and consequences of the inter-American engagements to which she was a party.

The logical consequences of this attitude were, among others, rupture of relations with the Axis Powers, adherence to the principles of the Atlantic Charter,⁴⁵ and political, economic and military cooperation with the United Nations, in virtue of which this Government agreed with those of the United States and the Netherlands on conditions of joint defense of the Caribbean Sea and the Dutch Antilles; it fortified certain points of the coast to cooperate in the action of the Allied bases; it coordinated with the British Government preparations for the defense of the Gulf of Paria; it fortified the island of Patos and combined its action with that of the American base on Trinidad; it opened its seaports and airports to the vessels and aircraft of belligerent countries friendly to us; vessels interned in Venezuela belonging to Totalitarian powers were seized; it took measures to keep watch over and restrain the activities of aliens or of nationals which might endanger the security of any American country; it subjected to Government control the movement of funds belonging to Axis citizens; it liquidated and expropriated commercial, industrial and transport enterprises belonging to them, and made available all its material resources, especially oil, to feed the war machines of the United Nations.

The effort and attitude of Venezuela have been those of a belligerent country; if up to now she has refrained from making a formal declaration of this situation, it was in the conviction that thereby she could in no way increase the effective of her contribution and that such a proclamation should be reserved for the moment when countries resort to direct warlike action on the field of battle, which she is precluded from undertaking with dignity because of her status as a small power.

^{44a} File translation revised.

⁴⁵ Joint Declaration by President Roosevelt and British Prime Minister Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.

Nevertheless, as soon as it was evident that in order to strengthen the front of American solidarity it was necessary to adhere formally to the Declaration by United Nations and proclaim the state of belligerency, Venezuela, consistent with her unvarying attitude, proceeded without hesitation to take this further step, which has already been published by my Government and for which our Ambassador in Washington has been authorized.⁴⁶

With the serene satisfaction of duty done, my Government has in this manner brought about the full adherence of our country to the cause of the United Nations and its fraternal identity with the action and the spirit so magnificently embodied in the United States of America, and in so doing it is convinced that it is serving a just cause, which is that of the advent of a peaceful and stable world organization in which small nations will have the right to equality and the respect of their sovereignty and in which their legitimate interests will be amply guaranteed.

With the most sincere sentiments of sympathy and admiration I return your cordial greetings and renew to you the assurances of my friendship.

ISAIAS MEDINA A.

**DISCUSSIONS BETWEEN THE UNITED STATES AND VENEZUELA
CONCERNING DEFENSE PROBLEMS⁴⁷**

810.20 Defense/1-945 : Telegram

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

CARACAS, January 9, 1945—6 p. m.

[Received 10:32 p. m.]

15. ReDept's 917 [971], December 28, 7 p. m.⁴⁸ and previous. Foreign Minister⁴⁹ has just advised me in strictly confidential note No. 46, January 8, that proposed staff conversations are agreeable to Venezuelan Government on understanding that these are simply preliminary in character and will not result in an immediate agreement.

In expressing gratifications for invitation note requests furnishing of names of United States officers who will be sent to undertake the conversations, upon receipt of which Venezuela will designate corre-

⁴⁶ Legislative approval of this step did not come until later. Telegram 657, July 2, 1945, from Caracas, reported the promulgation on June 28 of a law indicating that a state of belligerency existed between Venezuela and the Axis; it also reported the ratification by the President of the United Nations Declaration (740.0011 E.W./7-245).

⁴⁷ For previous documentation on Lend Lease, see *Foreign Relations*, 1944, vol. VII, pp. 1641 ff.

⁴⁸ Not printed.

⁴⁹ Caracciolo Parra-Perez.

sponding officers. Text of note follows by Wednesday's courier pouch.⁵⁰

CORRIGAN

810.20 Defense/2-1645: Telegram

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

WASHINGTON, February 16, 1945—5 p. m.

125. Refer Department's secret circular instructions August 1, 1944, January 10, 1945.⁵¹ It is agreed by the State, War, and Navy Departments that Military and Naval Staff conversations with Venezuela should start April 6.⁵² Please consult the Foreign Minister and cable Department whether that date is agreeable to the Venezuelan Government.

Conversations in Venezuela will be under the supervision of General Brett⁵³ and Admiral Giffen.⁵⁴ They will get in touch with you directly concerning details of the conversations. General Brett will provide you with a program outlining the purpose of the conversations, and the topics to be discussed. On receipt of it please transmit the program to the Venezuelan authorities, unless you perceive objection in order that they may be prepared in advance.

It is emphasized that the forthcoming staff conversations are entirely exploratory in nature, will involve no commitments by either party, and will be confined to technical military and naval discussions, not to include political matters.

GREW

[According to the minutes of meetings transmitted by the Ambassador in Venezuela in his despatch 7326, May 16, 1945 (810.20 Defense/5-1645), the participants in the staff conversations agreed that the objective of Venezuelan military policy should be to secure vital internal installations and assist in the defense of the continent with forces susceptible to incorporation in a joint task force. They favored the organization of Venezuelan forces on United States tables of military organization and equipment. They discussed the existing Venezuelan strength on land and in the air and the desirable level of such strength in the light of manpower and financial resources available. They explored the subjects of storage and repair of equipment, communication and transportation facilities, resources of gas and oil, and harbor defenses.]

⁵⁰ Transmitted in despatch 6933, January 10, from Caracas, not printed.

⁵¹ *Foreign Relations*, 1944, vol. VII, p. 105, and ante, p. 600, respectively.

⁵² The date for beginning the staff conversations was later changed to April 15.

⁵³ Gen. George H. Brett, Commanding General, Caribbean Defense Command.

⁵⁴ Vice Adm. Robert C. Giffen, Commander, Caribbean Sea Frontier.

831.24/5-545

*Memorandum by Mr. Edgar S. Furniss of the Division of American Republics Analysis and Liaison*⁵⁵

[WASHINGTON,] May 24, 1945.

I called Colonel Eiseman, OPD,⁵⁶ War Department concerning the reported dissatisfaction of the Venezuelan Minister of War⁵⁷ with the inability to obtain replacement parts and with the complicated Lend-Lease paper work.

The Colonel said, that while he himself suffered from too much paper work, obviously there was little he could do to improve the situation. He further stated that the Venezuelan complaint at the difficulty of obtaining spare parts had been called to the attention of the Army Air Forces, which was taking remedial action, Colonel Eiseman explained that the difficulty had arisen as a result of the transfer of wood and fabric planes to Venezuela, which planes could not stand up under the climatic conditions. Rather than supply equally unsatisfactory replacement parts, arrangements were being made to send all metal planes.

E. S. FURNISS

810.20 Defense/12-745

Memorandum of Conversation, by the Chief of the Division of North and West Coast Affairs (Flack)

[WASHINGTON,] December 7, 1945.

Participants: Sr. Arturo Lares, Chargé d'Affaires, ad interim
Colonel Jones-Parra, Military Attaché, Venezuelan Army
Colonel Pérez Jiménez, Chief of Staff, Venezuelan Army
Captain Castro Gomez, Venezuelan Army
Mr. Joseph Flack—NWC
Mr. Bainbridge C. Davis—NWC

During a call this morning on other matters Sr. Lares mentioned that Venezuela was desirous of getting the material which had been agreed upon in the Staff Conversations held in Caracas in April 1945. This thought was echoed by both the Venezuelan Military Attaché and the Chief of Staff, who said that they considered that their hands had been tied since they had agreed to standardize equipment with the

⁵⁵ Addressed to Bainbridge C. Davis, Division of North and West Coast Affairs, and to James A. Maxwell, Division of Lend-Lease and Surplus War Property Affairs. A marginal notation on this memorandum reads: "As the Milit. Attaché at Caracas undoubtedly knows this, I suggest no further action unless Ven. Gov't raises issue. . . . B. C. D[avis]."

⁵⁶ Operations Division.

⁵⁷ Col. Manuel Moran.

United States. The indication was that if this were not the case they might purchase equipment elsewhere, but I do not think this idea is uppermost in their mind. What they really want is to implement the Staff Conversations as well as possible in order to chalk up an achievement for the new Government.

I explained to them that this matter was receiving the Department's urgent consideration and that it was within the framework of our over-all relation of hemisphere defense with the other American republics and that it appeared that some legislative action would be required in the United States to implement the various conversations which had been held. I also mentioned to Sr. Lares that the conversations had been purely exploratory, to which he agreed, but evidently the whole Venezuelan group is convinced that agreeing to standardize binds them. Accordingly, I think it is very important that action be taken in regard to our implementation of the Staff Conversations as soon as may be possible.

In this same vein, it was mentioned that in a conversation with General Hertford⁵⁸ the visiting Venezuelan mission of two had received the impression that Staff Conversations with the new Government might be desirable. I said that any such suggestion from either side should come through diplomatic channels.

831.24/12-1145

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

No. 3231

WASHINGTON, December 11, 1945.

SIR: I transmit for your confidential information and files a copy of this Department's note to the Venezuelan Embassy in Washington, together with a copy of Statement LL-6,⁵⁹ showing charges made against the Government of Venezuela during the period from June 1, 1945 through August 31, 1945 for defense matériel transferred under the terms of the Lend-Lease Agreement signed on March 18, 1942.⁶⁰

It will be noted that the amount of charges during the period under reference is \$57,591.11 and that charges through August 31, 1945 for all defense matériel transferred to Venezuela aggregate the grand total of \$3,128,707.06. The approximate appropriate percentage payment due is \$70,000.⁶¹

Very truly yours,

For the Secretary of State:
SPRUILLE BRADEN

⁵⁸ Brig. Gen. Kenner S. Hertford, American Theater Section, Operations Division, War Department.

⁵⁹ Neither printed.

⁶⁰ For text, see *Foreign Relations*, 1942, vol. VI, p. 739.

⁶¹ The Department of State had acknowledged on the dates indicated the repayments on Lend Lease by Venezuela in the following amounts during 1945: February 1, \$900,000; March 22, \$152,000; September 4, \$293,000.

831.24/12-1345

*Memorandum of Conversation, by Mr. Bainbridge C. Davis of the
Division of North and West Coast Affairs*

[WASHINGTON,] December 13, 1945.

Background: The Venezuelan Embassy submitted to the Department Note No. 3147 of November 21, 1945,⁶² referring to the special mission of the Venezuelan Chief of Staff, Major Pérez-Jiménez and Captain Castro-Gómez, and requesting the Department's assistance in facilitating the purchase of pistols, carbines, sub-machine guns, rifles, bazookas, bazooka shells, and 37 m/m shells, as well as certain quarter-master equipment. On December 7, the Venezuelan Chargé, accompanied by the two officials, called on Mr. Flack and Mr. Davis, and in the course of the conversation pointed out, with reference to the 2,000 pistols mentioned in the note, that 1,200 pistols of this type had been ordered under Lend-Lease and only 50 received; and with respect to the 37 m/m shells, tanks equipped with 37 m/m guns had been received under Lend-Lease without ammunition and some without machine guns. The Venezuelans stated that these shipments had been promised and that they therefore considered them in a special category since we were already committed.

After consultation with Mr. Flack of NWC,⁶³ with Mr. Dreier and Mr. Furniss of RL,⁶⁴ Mr. Maxwell of LP,⁶⁵ and Mr. Martin and Mr. Exton of IR/M⁶⁶ regarding the Venezuelan request, I telephoned Señor Lares. I explained that while it had been impossible to fulfill many orders received under Lend-Lease agreements, the termination of Lend-Lease had prevented even the delivery of material already allocated and under way, provided it had not left the United States, and that we had no authority to make any further Lend-Lease shipments. Furthermore, until enabling legislation is passed and until the Department has reached certain policy decisions with respect to the implementation of the staff conversations, it would not be possible for the United States to meet the Venezuelan request for these armaments. I pointed out that there was one exception. On December 7, the Venezuelan Army officers had indicated that the Venezuelan police were very short of pistols, that this interfered with the maintenance of internal order, and that it was the intention of the Army, upon the receipt of the 2,000 pistols mentioned in the note, to turn over some of the Army pistols to the police force. I suggested to Señor Lares that it might be possible to obtain these 45-caliber pistols from commercial channels and if the Venezuelan Embassy would be prepared to

⁶² Not printed.

⁶³ Division of North and West Coast Affairs.

⁶⁴ Division of American Republics Analysis and Liaison.

⁶⁵ Division of Lend-Lease and Surplus War Property Affairs.

⁶⁶ International Resources Division.

send the Department a note stating that these pistols were intended for the use of the police force or would be used to replace an equal number of pistols transferred to the police force, we would be willing to license their exportation.

I assured Señor Lares that we were continuing to make every effort to assist them in obtaining quartermaster equipment.

AGREEMENT BETWEEN THE UNITED STATES AND VENEZUELA DEFINING THE MILITARY SERVICE DUE BY NATIONALS OF EACH COUNTRY RESIDING IN THE OTHER

[For text of the agreement, effected by an exchange of notes signed at Washington, May 10 and May 11, 1945, see Department of State Executive Agreement Series No. 476, or 59 Stat. (pt. 2) 1602.]

EFFORTS BY THE UNITED STATES TO SECURE THE COOPERATION OF VENEZUELA IN THE ELIMINATION OF AXIS BUSINESS INTERESTS⁶⁷

740.31112A/1-345

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

No. 6883

CARACAS, January 3, 1945.

[Received January 11.]

SIR: I have the honor to refer to the Department's circular telegram of September 20, 1944, 5:00 p. m.⁶⁸ requesting that the names included in the Proclaimed List be classified in accordance with whether they are to remain included therein or are to be deleted therefrom under the "over-all plan".

There is given herewith⁶⁹ a classification of the names included in the Proclaimed List in accordance with the classification specified in the telegram under reference.⁷⁰ It is the Embassy's understanding, however, that firms included in I-A will be eligible for deletion when satisfactorily reorganized or liquidated under the "over-all plan" and that employees, partners and subsidiaries of these firms which are not individually objectionable politically will also be eligible for deletion when satisfactory arrangements have been made with respect to their principals. It is recognized, of course, that it may be necessary to

⁶⁷ For documentation on cooperative efforts to control financial transactions and railroad management involving the Axis, see *Foreign Relations*, 1943, vol. VI, pp. 820 ff.

⁶⁸ *Foreign Relations*, 1944, vol. VII, p. 530.

⁶⁹ Enclosure, not printed.

⁷⁰ The list provided two categories, those to be retained on the List and those to be deleted. Under the first were A—Spearhead Firms, B—Enemy Controlled Firms, C—Holders of Property belonging to Enemy Nationals, D—Receivers of Looted Property, E—Others likely to Engage in Activities Detrimental to the United States.

retain on the List some names, particularly among those included in I-B and C, in connection with the carrying out of certain post-resistance policies. The Embassy's classification has also been based on the understanding that under the "over-all plan" the names of cloaks and other firms and persons whose original inclusion was not based on political considerations and whose continued listing appears to serve no useful purpose, may be removed from the List.

Classification II contains the names of persons and firms which it is believed should be deleted from the Proclaimed List. These are grouped in three categories and it is suggested they be deleted in three stages in the order given when the Interdepartmental Committee on the Proclaimed List is disposed to take this action. It is hoped the deletion of the names given in II-A, the deletion of which was recommended in the Embassy's despatch No. 6736 of November 29, 1944,⁷¹ may be made at the earliest opportunity and that it will be possible to proceed with the deletion of II-B and C not long thereafter.

It will be noted that under II-C there are numerous names, the deletion of which is said to be contingent on the deletion of the respective firms with which they are associated. Some of these are employees and partners of listed firms and may become eligible for deletion at an earlier date than the remainder of the group, while others are cloaks in Maracaibo whose deletion may be made whenever Breuer, Moller & Cía. Sucrs. and Beckmann & Cía. Sucrs., the firms likely to use their services, have been closed. Also included in this classification are a number of firms which have been forced to close by the effects of listing and several individuals who are no longer in Venezuela and who might be removed from the list at any time the Interdepartmental Committee should agree.

It is understood there will be a residual Proclaimed List for Venezuela which will be maintained until it is possible to withdraw the List entirely. In this connection the Embassy recommends that the residual list be composed only of firms and individuals considered politically antipathetic to the United States. These may include some of the names in I-A, B and C and those listed under I-E. In determining those included in the latter category, the following criteria were used: (1) whether the Embassy's files contain evidence of hostile political sympathies on the part of the persons concerned, and (2) whether such persons are widely regarded by the public as being totalitarian sympathizers. If the Embassy's recommendation is approved, only politically unfriendly elements will be identified for the final record.

The classification submitted herewith is only slightly different from that prepared by the British Embassy. The differences should not

⁷¹ Not printed.

be irreconcilable. The present classification is submitted without further delay, however, since to obtain a concrete expression of view from the British Embassy with respect to a classification of the Statutory List involved the passage of sufficient time to permit several exchanges of correspondence with London.

Respectfully yours,

FRANK P. CORRIGAN

740.00112A EW/5-2345

The Acting Secretary of State to the Chargé in Venezuela (Flack)

No. 3056

WASHINGTON, May 23, 1945.

The Acting Secretary of State refers to the Department's circular airgram of April 28, 1945, 4:20 p. m. [*9 a. m. ?*],⁷² concerning the considerations which will govern the maintenance of the Proclaimed List following the cessation of hostilities in Europe. This circular airgram stated that instructions would be forthcoming on the individual problems of each of the other American republics.

There is enclosed ⁷³ a memorandum dated April 27, 1945, entitled "Policy with Respect to Proclaimed and Confidential Lists in Post-Hostilities Period: Western Hemisphere" in greater detail than was possible in the circular airgram.

There is also enclosed a memorandum entitled "Country Memorandum for Venezuela" which has been approved by the Interdepartmental Proclaimed List Committee. This country memorandum outlines the progress that has been made, analyzes the present Proclaimed List and replacement situation, and contains recommendations approved by the Committee concerning the withdrawal of the Proclaimed List for Venezuela.

Unless the Officer in Charge perceives objections, he is requested to consult with his British colleague, who will receive similar instructions, and to approach the Venezuelan Government in accordance with the recommendations contained in the enclosed country memorandum. Any objections to or comments concerning these recommendations or the memorandum of April 27 should be cabled immediately.

It is important, of course, that advance notice of the plan for the early reduction or withdrawal of the Proclaimed List in cooperative countries not be given any wider circulation than is absolutely necessary. If practicable, discussions with the Venezuelan Government should be limited to the plans for the reduction of the Proclaimed List in Venezuela. It may, however, be desirable to indicate that this Government is considering the complete or virtual withdrawal of the Proclaimed List in certain of the other American republics, in order to

⁷² *Ante*, p. 661.

⁷³ Enclosures not printed.

explain why this Government feels that the Proclaimed List for Venezuela should be virtually withdrawn. In no event should the plans to eliminate intermediate offenders from the Proclaimed List approximately four months after V-E Day and to withdraw the Proclaimed List completely approximately one year after V-E Day, be divulged.

The Embassy in its discussions with the Venezuelan authorities should stress the importance of eliminating remaining spearheads and the fact that the spearheads remaining on the List will be considered ad hoc for deletion when they are effectively eliminated.

As indicated in paragraph III-f of the enclosed memorandum of April 27, 1945, appropriate publicity will be given to the reduction of the Proclaimed List to a hard-core. This publicity will probably take the form of a press release and appropriate footnotes in the supplement in which the reduction occurs.

It is contemplated that the forthcoming supplement, which under the normal schedule would appear on June 1, will be postponed until June 8, and that the British Statutory List supplement, which would ordinarily appear approximately June 15, will also appear on June 8 so that the reductions can be made simultaneously in both the Proclaimed and Statutory Lists.

In view of the urgency of this matter, the Officer in Charge is requested to report by telegram what action has been taken and the results thereof, including the names which should comprise the hard-core list. In order to obviate the necessity of cabling numerous names, the latter should be done by referring to the Venezuelan section of Revision no. IX of the Proclaimed List dated February 28, 1945, giving the page and line numbers of all names to be retained on the List. For instance, Optical Alemana and Quimica Schering S.A. would be designated as follows: Page 220 lines 16, 32.

740.31112A/6-1245 : Airgram

The Chargé in Venezuela (Flack) to the Secretary of State

CARACAS, June 12, 1945.

[Received June 15—6 p. m.]

A-212. Reference Embassy's secret despatches Nos. 7293 and 7362 dated May 5 and May 31, 1945, respectively.⁷⁴

Confinement in Rubio of the confessed accomplices in the conspiracy to sabotage Allied shipping in Venezuela for an indeterminate period and without trial by a competent tribunal impels recommendation that their names be included in the Proclaimed List.

It is believed such inclusion will serve the following purposes: (1) to identify these persons for more effective local control and alter-

⁷⁴ Neither printed.

natively, in the event of release from confinement, it may facilitate subjecting individuals to repatriation and (2) coinciding with mass deletions, it impresses that the List is being actively perpetuated in the postwar.

[Here follows list of names recommended for inclusion.]

FLACK

740.31112 RP/7-1045

The Chargé in Venezuela (Flack) to the Secretary of State

[Extracts]

No. 7481

CARACAS, July 10, 1945.

[Received July 18.]

SIR: . . .

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The procedure of liquidation under these Resolutions⁷⁵ is dilatory in its method of application in that, although a Government representative is named to supervise the liquidation (usually the individual who has acted as interventor under the Venezuelan control system), the actual liquidation is usually conducted by the main party at interest (such as the manager, the principal partner, etc., as the case may be) in a business-as-usual fashion. This procedure permits the firm in liquidation to realize full value for its assets, thereby minimizing the possibility of claims for damages in the event Venezuelan emergency legislation is held to be unconstitutional. This method, however, is not conducive to a speedy and satisfactory liquidation contemplated by the "overall" plan.

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Based upon the Department's top secret instruction No. 3056 dated May 23, 1945, a note was recently handed to the Acting Minister for Foreign Affairs,⁷⁶ who in his regular capacity of Director of International Policy in the Foreign Office is also a member of the Commission for the Control of Properties Subject to Intervention, inquiring what plans the Venezuelan Government had with respect to the elimination of the remaining spearheads. The Acting Minister, upon receipt of this note, replied that the matter would be placed in the appropriate channels for action and he trusted the "overall" plan could be effected at an early date. The only official reply to this note was an interim reply stating that the matter was now before the three Ministries concerned (Interior Relations, Foreign Affairs, and Finance) and that full reply awaited their decision. It is possible that formal final reply will not be made until after the return of Dr. Parra

⁷⁵ Governmental orders directing certain firms to be liquidated.

⁷⁶ Julio Alfredo de la Rosa.

Perez, the Minister for Foreign Affairs, who has not yet returned from the United States where he attended the San Francisco Conference,⁷⁷ and until the Department has replied to the memorandum enclosed with the instruction under reference.

Shortly after delivery of the above-mentioned note to the Foreign Office, the Minister of Finance⁷⁸ and the President of the Commission for the Control of Properties Subject to Intervention on separate occasions during informal conversations mentioned that the matter of natural born citizenship was an obstacle to ordering liquidation of Gathmann Hermanos and the Valentiners. It should be noted that the matter of natural born citizenship was thus first officially (although informally) raised as an obstacle to the "overall" plan, whereas previously it had not been considered an impediment in the case of Blohm & Company nor in the case of Breuer, Moller & Co., Sucrs., in the latter of which the principal partner, Von Jess, is a natural born Venezuelan.

Venezuelan economic warfare aims have had solely one objective, to wit, the control of dangerous persons and firms for the duration of the war. The Venezuelan attitude toward commercial elimination of undesirable persons and firms at our behest has been limited to the organizations that might be considered as direct subsidiaries of German organizations, such as the local Bayer and Schering Companies. The possibility that the Allied Group Control Council⁷⁹ might extend jurisdictional authority to include German assets in Venezuela is lacking in that the majority of spearhead capital in this country could be protected by citizenship, either natural born or naturalized.

Considering the tenor of the memorandum under reference, the issue would appear to be whether it is preferable to accept the Commission's proposals approving reorganization of the remaining spearhead firms with the undesirable persons retaining a minor share participation and, presumably, freely investing the remainder of their capital elsewhere or whether the line should be held and these firms perpetuated in the Proclaimed List for the remainder of its existence. It is submitted that our gain by accepting such reorganizations cannot balance the loss in our prestige for failure to live up to the publicized statements of policy heretofore made with regard to these matters. In view of the present attitude of the Venezuelan Government, it may well be that the only consistent course to follow is to maintain the spearhead firms (Gathmann, Meyer, Steinvorth, and Valentiner) on the Proclaimed List indefinitely.

Respectfully yours,

JOSEPH FLACK

⁷⁷ United Nations Conference on International Organization, April 25-June 26, 1945.

⁷⁸ Rodolfo Rojas.

⁷⁹ For documentation on the German reparations problems and the Allied Group Control Council, see vol. III, pp. 1169 ff.

740.31112A/6-1245 : Airgram

The Acting Secretary of State to the Chargé in Venezuela (Flack)

WASHINGTON, July 11, 1945.

A-265. Reference your airgram no. A-212 of June 12, 1945 and secret despatches nos. 7293 and 7362 dated May 5 and May 31, 1945, respectively,⁸⁰ recommending for inclusion in the Proclaimed List the names of seven German nationals who confessed to participation in a conspiracy to sabotage Allied shipping in Venezuela.

The Committee⁸¹ withheld action in these cases. It is not the policy to list on the ground that an individual is a candidate for repatriation. The present repatriation program⁸² contemplates the repatriation of thousands of persons. It would obviously not be possible to reconcile large scale listings of candidates for repatriation with the current program for the reduction of the List. Neither is it clear that further identification of these individuals is necessary nor that they would be affected by listing.

Please cable whether the failure to list these persons will have an undesirable effect on the replacement program or the Proclaimed List and the reasons for your recommendation for including their names in the List.

GREW

740.31112A/7-1845 : Telegram

The Chargé in Venezuela (Flack) to the Secretary of State

CARACAS, July 18, 1945—1 p. m.

[Received 5:02 p. m.]

708. Reference your A-265, July 11. Failure to list accomplices to sabotage conspiracy will not undesirably affect replacement program⁸³ nor Proclaimed List and Embassy agreeable to whatever Committee decides. Embassy's suggestion for listing was based on reasoning stated in third paragraph my A-212, June 12.

FLACK

⁸⁰ Despatches not printed.

⁸¹ The Interdepartmental Committee on the Proclaimed List.

⁸² For documentation on this subject, see vol. III, pp. 784 ff.

⁸³ The program to replace Axis financial control of business firms with friendly capital. See the various *Foreign Relations* volumes on the American Republics for the years 1941-1945 for documentation on efforts to combat Axis penetration in the American Republics.

740.31112A/9-1045

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

No. 7705

CARACAS, September 10, 1945.

[Received September 17.]

SIR: I have the honor to report that, in the course of a conversation devoted primarily to other subjects, the Minister of Foreign Affairs, Dr. Gustavo Herrera, this morning brought up the question of the present status of the Proclaimed List in Venezuela.

Dr. Herrera remarked that there were several types of Germans who had been in business in Venezuela. There were ardent Nazis; so far as these were concerned he felt that any measures taken were justified. There were also Germans who, through patriotism or opportunism, had identified themselves as being in greater or lesser measure sympathetic with the Hitler regime; he had no brief for these either. However, he felt that there were some Germans who had behaved themselves, had become thoroughly useful residents of Venezuela and had, in some cases, acquired Venezuelan nationality by naturalization or birth here of German parents. Among these, he thought, with the end of the War, there would be found some who should be deleted from the Proclaimed List.

I replied to Dr. Herrera that I did not believe that the present was an opportune time to go into the matter as a longer period would have to elapse before a permanent policy on these matters could be advantageously applied to individual cases of the sort in which he had expressed an interest. The Foreign Minister did not mention any specific individuals or firms in his remarks but it is my impression that he probably had in mind some of the remaining spearhead firms in Venezuela which were the subject of the conversation between Dr. Alfonso Espinosa and members of the Embassy staff covered by my despatch No. 7563 of August 7, 1945.⁸⁴ Considerable pressure is obviously being brought on members of the Venezuelan Cabinet by parties interested in these cases and local political considerations are involved.

Respectfully yours,

FRANK P. CORRIGAN

⁸⁴ Not printed.

462.00 R/9-1445 : Telegram

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

CARACAS, September 14, 1945—9 p. m.

[Received September 15—2:10 a. m.]

884. Dept's telegram Sept 13, 7 p. m.⁸⁵ and circular telegram August 28, 9 a. m.⁸⁶). Note being delivered tomorrow. It does not include statement that procedure suggested is "most satisfactory for situation of the American Republics" as it would in Embassy's opinion be imprudent if not a psychological mistake to tell Venezuelan Govt what it should think and better to let it arrive at its own conclusions. There can be no objection by Venezuelan authorities to considering disposal of German assets in Western Hemisphere, matter solely for American Republics, but apparent thesis that non-European countries not war devastated like Egypt and Union of South Africa have an interest in assets from Germany itself not extensive to other American Republics might seem to them illogical.

CORRIGAN

740.31112 RP/9-2945 : Telegram

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

WASHINGTON, September 29, 1945—5 p. m.

660. Venezuelan Chargé⁸⁷ called on me yesterday to inform me of intention of Venezuelan Government to issue a decree in near future cancelling certain provisions of decree 241, dated November 9, 1943, which is basic to our Proclaimed List and replacement policy. Copy of Venezuelan note⁸⁸ being sent by transmittal slip. Provisions of decree relating to expropriation, liquidation, and forced sale of Axis firms against which such action has already been ordered reportedly would remain effective until completion of proceedings but other provisions by which exercise of individual guarantees were restricted and all resolutions and other measures decreed or adopted in execution of decree 241 will be abrogated and nullified. It is presumed this would mean the release from control of all funds of Proclaimed List and other Axis nationals including possibly funds specially blocked.

Venezuelan Chargé was informed that while it was impossible without careful study to ascertain full import of proposed decree, Dept envisaged possible adverse effects upon program of liquidation of

⁸⁵ Not printed; in this telegram the Department asked for the reasons for the Embassy's apprehensions concerning Venezuelan sensitiveness.

⁸⁶ Not printed, but see despatch 12760, September 13, from Santiago, p. 780.

⁸⁷ Arturo Lares.

⁸⁸ Note of September 27, 1945, from the Venezuelan Chargé, not printed.

Axis properties in view of fact that certain Axis properties would not be subject to adequate controls after issuance of this decree. Chargé was told Dept believed it highly desirable that proposed action be delayed until its effects on our PL ⁸⁹ policy can be studied thoroughly. He was also informed Dept concerned that Venezuelan Government may deprive itself of control of Axis nationals who may be considered dangerous to future security of hemisphere as envisaged in Resolution VII of Act of Chapultepec.⁹⁰

It was suggested any discussions of proposed cancellation decree 241 might best be held in Caracas. Chargé stated he would immediately cable his Govt concerning above observations.

Dept presumes you have not been informed, and may be approached shortly by Venezuelan Govt to determine your attitude toward cancellation of pertinent parts of decree 241. Dept believes proposed action may prejudice PL and replacement program. Your comments urgently requested.

ACHESON

740.31112 RP/10-245: Telegram

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

CARACAS, October 2, 1945—4 p. m.

[Received 9:44 p. m.]

905. Department's telegram 660, September 29. Venezuelan Government has not yet approached Embassy re partial abrogation decree 241. Background follows:

Embassy's despatches 7481, July 10, and 7563, August 7,⁹¹ reported it had reached impasse with Govt. concerning further implementation economic warfare measures where Venezuelan citizens involved; Embassy still awaiting instructions requested in latter despatch.

General attitude of Venezuelan Government re economic warfare measures is that they were instituted for "duration of hostilities" now past. Viewpoint exemplified by issuance decree 292 September 15 (reported in despatch 7748, September 19 ⁹²) restoring certain constitutional guarantees to public and stating that period of emergency is over. Official circles tend to feel that maintenance existing decrees is now untenable especially wherein they affect Venezuelan citizens. Suit has been filed against Government in Supreme Court to declare emergency decrees invalid and Government is unsure it can defend its position.

⁸⁹ Proclaimed List.

⁹⁰ Pan American Union, *Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, February-March, 1945* (Washington, 1945), p. 38.

⁹¹ Latter not printed.

⁹² Not printed.

Minister of Finance ⁹³ confidentially sent emissary to Embassy last week who stated Government was under tremendous pressure to release certain funds owned by Venezuelan nationals and voluntarily blocked by them for duration hostilities. After consideration of three cases involved the Embassy replied yesterday that there was no objection to unblocking one case in which individual is not on Proclaimed List and if and when other two names are removed from Proclaimed List those funds might also be unblocked. Reply will probably be unsatisfactory to Minister.

Government feels it is in awkward and embarrassing position during present pre-election period re further economic warfare action against Venezuelan nationals. Long delay in reducing Proclaimed List to hard core cases has created impatience and irritation. It may be that firm reply given to Venezuelan Chargé in Washington will cause Government to drop projected modification of decree 241 and not to raise issue with Embassy. On other hand administration might, for political reasons, unilaterally and without further consultation, take action contemplated. Embassy will not initiate discussions with Venezuelan Government unless instructed specifically to do so.

CORRIGAN

740.31112A/10-845

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

No. 7810

CARACAS, October 8, 1945.

[Received October 16.]

SIR: I have the honor to transmit herewith a memorandum of conversation ⁹⁴ between Senator Jovito Villalba and Messrs. Knox and Hoover.⁹⁵ The intervention of the Senator in connection with the Proclaimed List matter described is indicative of the general current interest of Venezuelan public officials in seeking a solution of Proclaimed List problems, as indicated in my recent despatches concerning this general subject.

When a staunch leftist such as Senator Villalba, who has perhaps as unwavering a political record of opposition to Nazism as any Venezuelan, comes to the Embassy in support of the elimination from the Proclaimed List of two Germans (naturalized as Venezuelans but after the war was well under way) who have pro-Nazi records, it is a pretty thorough indication that the average Venezuelan figures that the war is over and wants to let bygones be bygones and get back to normalcy. Pressure on the Government is increasing daily to overcome what is considered to be a national "embarrassment"—i.e., the

⁹³ Carlos D'Ascoli.

⁹⁴ Not printed.

⁹⁵ Charles F. Knox, Jr., Commercial Attaché, and John P. Hoover, Assistant Commercial Attaché.

continued inclusion in the Proclaimed List of a substantial number of Venezuelan citizens.

My despatches have kept the Department informed of the trend in Venezuela, which I understand is current in others of the Republics, and I strongly suggest the immediate advisability of reducing the Proclaimed List for Venezuela to the hard-core cases as recommended in my despatch No. 7800 of October 5, 1945,⁹⁶ in order to relieve, at least in substantial part, pressure which may force the Government to take unilateral action. The prompt elimination from the Proclaimed List of all but hard-core cases would increase the chances of maintaining at least some measure of Venezuelan Government support for the principles of the Proclaimed List.

Respectfully yours,

FRANK P. CORRIGAN

740.31112 RP/12-2245 : Telegram

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

CARACAS, December 22, 1945—2 p. m.

[Received December 23—8:20 p. m.]

1106. The Foreign Minister ⁹⁷ confidentially informed me that publication of Hard Core list has immediately precipitated desire on other part of firms involved to come to terms with Embassy and it is his earnest hope that Embassy can arrive at early solution of these problems. He was informed that Embassy is already in conversation with the majority of such firms and that Embassy was disposed to receive through the Venezuelan Commission proposals for reorganization along lines which Embassy has already outlined to each of the firms. The Minister was very pleased and stated that he would lend his private influence to urging those Proclaimed List persons whom he knew personally to come immediately to agreement with Embassy. President of Venezuelan Commission has adopted same highly co-operative attitude.

The Minister stated he hopes that in the enforced reorganizations Embassy would temper justice in a manner which would avoid any serious dislocation to Venezuelan economy. He was informed that one of primary objectives of the reorganization was to require subject firms to integrate themselves into Venezuelan economy and place their control in acceptable Venezuelan hands and that Embassy would try to avoid any steps which would cause undesirable repercussions in the commercial and financial community.

[Here follows report on five individual cases.]

CORRIGAN

⁹⁶ Not printed.

⁹⁷ Carlos Morales.

740.31112A/12-1945 : Telegram

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

WASHINGTON, January 4, 1946—7 p. m.

5. Reurtel 1102, Dec 19.⁹⁸ PL Committee prepared to consider proposals for reorganization of PL firms, but weighs relative advantage to allied cause from economic security viewpoint of approving reorganization and deleting firm on basis of reorganization or disapproving reorganization and continuing firm on PL for duration of its existence. Accordingly, if in future Emb recommends approval of proposed reorganizations Emb should report specifically what economic security advantage would be. Emb should continue its commendable practice of submitting proposed reorganizations for preliminary statement of Committee's opinion before reorganization has actually taken place or Emb has committed itself. Brit representative on committee reports that firms have been told that reorganizations must assure that present owners will not have controlling interest in the future. Committee prefers complete elimination of present owners but where that is not feasible will give sympathetic consideration reorganization plans reducing present owners to minority interest and removing control from their hands.

Dept and PL Committee will handle all communications re these matters promptly. Pls give paraphrase of this message to Brit Colleague.

BYRNES

⁹⁸ Not printed.

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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 signer of outgoing messages unless there is a clear indication of the Secretary's or Acting Secretary's direct participation; (2) the names of American officers appearing merely as signers of messages to the Department of State; (3) the names of persons to whom documents are addressed

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